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A Professional Limited Liability Company

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September 27, 2000

REC'D IN

REGULATORY AUTHORITY

Monica R. Borne

EllenAnn G. Sands

SEP 27 5 AM 8 38

OFFICE OF THE

EXECUTIVE SECRETARY

BY FEDERAL EXPRESS

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

00-00874

Re: Application for approval of an Asset Purchase Agreement by
Network Telephone Corporation and LightNetworks, Inc.

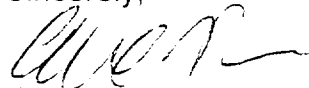
Dear Sir or Madam:

On behalf of Network Telephone Corporation and LightNetworks, Inc., enclosed please find an original and thirteen (13) copies of the referenced Application.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided as evidence of the filing.

Please call me should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,



EllenAnn G. Sands

Enclosures

cc: Mr. Grant Williams

BEFORE THE REGULATORY AUTHORITY

STATE OF TENNESSEE

REC'D TO
REGULATORY AUTH.

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APPLICATION FOR APPROVAL
OF AN ASSET PURCHASE AGREEMENT
BY NETWORK TELEPHONE
CORPORATION AND LIGHTNETWORKS, INC.

CASE NO. _____
OFFICE OF THE
EXECUTIVE SECRETARY

00-00874

JOINT APPLICATION

Network Telephone Corporation, ("NTC") and LightNetworks, Inc., (LNI), (collectively referred to as "Applicants") pursuant to the applicable Statutes of this state and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, hereby jointly request Commission approval of an Asset Purchase Agreement¹ (the "Agreement"). As will be described in more detail below, the Agreement contemplates the purchase by NTC of the assets of LNI. NTC proposes to acquire substantially all of the telecommunications assets of LNI, including but not limited to, the customer records and customer lists. The customers of LNI would be given the opportunity to switch their service from LNI to a substantially similar product offering of NTC or choose a different carrier. Those customers who choose to switch to NTC would begin to receive local and long distance service provided by NTC under the Certificate of Public Convenience and Necessity, or other operating authority, previously issued to NTC. As regulated telecommunications providers, NTC and LNI hereby seek Commission approval of the Agreement.

Commission approval of the Agreement will be beneficial to the involved companies as well as their customers. Following consummation of the Agreement and

¹

A copy of the Agreement is attached hereto as Exhibit "A."

consolidation of the assets, NTC will be able to provide communications services to its customers in a more efficient manner. Approval of the Agreement will not in any way be detrimental to the public interests of this State. The customers of both NTC and LNI will continue to receive the same high quality service presently rendered to them. Additionally, no party to the Agreement will be given undue advantage over any other party.

In support of this Application, Applicants show the following:

I. THE PARTIES

1. NTC is a privately held Florida corporation with principal offices located at 815 South Palafox Place, Pensacola, Florida 32501. NTC is a wholly owned subsidiary of NT Corporation, a Delaware corporation, which does not possess any federal or state authorizations to provide telecommunications services. NTC is a competitive provider of local and interexchange services. NTC is authorized to provide both local and interexchange services in all of the BellSouth states and interexchange services only in Texas and Arkansas. NTC is also authorized by the FCC to offer domestic interstate interexchange and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. NTC is a certificated local and interexchange provider in this State.²

2. LNI is a privately held Delaware corporation with principal offices located at 2700 Northeast Expressway, Suite B450/900, Atlanta, Georgia 30345. LNI is authorized to provide both local and interexchange services in five (5) states and is

²In this State, NTC provides resold intrastate local exchange and long distance telecommunications services pursuant to authority granted in Case No. 98-00349, effective February 2, 1999.

authorized to provide interexchange services on in two (2) states. LNI is also authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. LNI is a certificated carrier in this State. ³

II. DESIGNATED CONTACT

5. The designated contact for questions concerning this Application is:

EllenAnn G. Sands
Nowalsky, Bronston & Gothard, A.P.L.L.C.
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
Telephone: (504) 832-1984
Telefax: (504) 831-0892

6. Copies of such correspondence should also be sent to:

LightNetworks, Inc.
Attn: Eston Kirby
2700 Northeast Expressway,, Suite B450/900
Atlanta, Georgia 30345

and

Stephen L. Camp
Miller & Martin
1275 Peachtree Street, N.E., 7th Floor
Atlanta, Georgia 30309-3576

and

Network Telephone Corporation
Attn: Ray Russenberger
815 South Palafox Place
Pensacola, Florida 32501

³ In this state, LNI was granted authority to provide telecommunications services pursuant to authority granted as an interexchange reseller, Case No. 99-00911, effective date May 22, 2000.

and

Grant Williams
Network Telephone Corporation
815 South Palofox Place
Pensacola, Florida 32501

and

Daniel R. Lozier
Lozier, Thames & Frazier
125 West Romana Street
Pensacola, Florida 32501

III. REQUEST FOR APPROVAL OF THE ASSET PURCHASE AGREEMENT

7. Applicants propose a transaction which will accomplish the following:
 - a. LNI shall sell, transfer and assign to NTC all of LNI's right, title and interest in and to LNI's assets, as defined in the Asset Purchase Agreement;
 - b. In consideration for the above transfer and sale of assets, NTC will pay to LNI the purchase price set forth in the Asset Purchase Agreement.

8. NTC is well-qualified to consummate the transaction which is the subject of this Application. Current financial information for NTC are included in the consolidated financial statements of NT Corporation, attached hereto as Exhibit "B".⁴

9. NTC proposes this transaction to transfer and consolidate the customer accounts of LNI in order to create a single, larger provider of telecommunications facilitating efficiencies for the benefit of NTC's customers. By virtue of these transactions, NTC will realize significant economic, marketing and administrative efficiencies.

⁴ Exhibit "B" consists of NTC's Financial Statements as of August 31, 2000.

10. Following consummation of the transaction discussed above, the customers of LNI would be given the opportunity to switch their service from LNI to a substantially similar product offering of NTC or choose a different carrier. Those customers of LNI who choose to switch their service to NTC, will be transferred to NTC and NTC will continue to service these customers through and pursuant to the Certificate of Public Convenience and Necessity, or other operating authority, presently utilized by NTC in servicing its existing customers in this State.⁵

11. The technical, managerial and financial personnel of LNI will assist with the transition and integration of the acquired Assets after the transaction, and along with the technical, managerial and financial personnel of NTC, will continue to serve the transferred LNI customers with the same high level of expertise.

IV. PUBLIC INTEREST CONSIDERATIONS

12. Critical to the proposed transaction and consolidation of customer accounts is the need to ensure the continuation of high quality service to all customers currently served by LNI. The proposed transaction will serve the public interest for the following reasons:

- a. It will enable NTC to provide a streamlined level of service for all involved customers by creating a single, larger provider of telecommunications services to the customers in this State. The transaction will enhance the operating efficiencies, including market efficiencies, of NTC.
- b. It will increase the appeal to present and potential customers because of NTC's larger size and greater variety of service offerings as well as enhance the ability of NTC to appeal to and serve national accounts.

⁵ Prior to consummation of the proposed transaction, NTC intends to notify all current end users of LNI of the event and of the opportunity to switch their service to a substantially similar product offering of NTC or to choose a different carrier. The notification will be by bill insert, a sample copy of which is attached hereto as Exhibit "C".

- c. Finally, it will result in cost savings as the result of discounts on quantity ordering of materials and services.

13. Accordingly, the requested transaction and subsequent consolidation will serve to create a heightened level of operating efficiency which generally will serve to enhance the overall capacity of NTC to compete in the marketplace and to provide telecommunications services for a greater number of consumers in this state at competitive rates.

14. Additionally, NTC will possess a greater customer account base as the result of the proposed purchase of assets, and will thus be a stronger carrier able to provide a higher quality of service to all customers presently serviced by both NTC and LNI.

V. EXPEDITED REVIEW

15. Applicants request expedited review and disposition of the instant Application in order to allow Applicants to consolidate their respective operations as soon as possible.

VI. NO TRANSFER OF CERTIFICATES

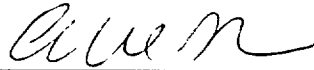
16. Applicants do not request transfer of LNI's Certificate of Public Convenience and Necessity, or other operating authority, to NTC.

VII. CONCLUSION

17. WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Commission authorize NTC and LNI to consummate the Agreement described above. More specifically, Applicants request that the Commission, on an expedited basis, approve the Agreement, the asset purchase transaction contemplated therein and the transfer of LNI's current customer accounts to NTC.

DATED this 27th day of September, 2000.

Respectfully submitted,



EllenAnn G. Sands
Nowalsky, Bronston & Gothard
A Professional Limited Liability Company.
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
(504) 832-1984
Counsel for Network Telephone Corporation
and LightNetworks, Inc.

STATE OF LOUISIANA

COUNTY OF ORLEANS

VERIFICATION

I, Eston Kirby, am the Senior Vice President of LightNetworks, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: M. Eston Kirby Jr.
Name: Eston Kirby
Title: Senior Vice President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 27th day of September, 2000.

[Signature]
Notary Public

My commission expires: at death

STATE OF LOUISIANA

COUNTY OF ORLEANS

VERIFICATION

I, Johnny Matthews, am the Chief Financial Officer of Network Telephone Corporation, and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: Johnny Matthews
Name: Johnny Matthews
Title: Chief Financial Officer

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 21st day of September, 2000.

Guern
Notary Public

My commission expires: at death

EXHIBIT A

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this "*Agreement*"), is entered into as of _____, 2000 by and between NT CORPORATION, a Delaware corporation ("*Parent*"), Network Telephone Corporation, a Florida corporation, ("*Sub*") or their assigns, LIGHTNETWORKS, INC., a Delaware corporation (the "*Company*"), Jeffrey D. Smock, ("*Smock*"), and, to the extent provided expressly herein, the specifically identified shareholders of the Company who have expressly agreed to the terms hereof and whose names appear on the signature pages of this Agreement (each such shareholder a "*Shareholder*" and collectively along with Smock, the "*Shareholders*"). Parent, Sub and the Company are referred to collectively as the "*Parties*." Parent and Sub or their assigns are sometimes collectively referred to as the "*Buyer*." Company is sometimes referred to as the "*Seller*."

WITNESSETH:

WHEREAS, Sub is a wholly-owned subsidiary of Parent; and

WHEREAS, the Boards of Directors of Parent, Sub and the Company have approved this Agreement and deem it advisable and in the best interests of each corporation and its respective shareholders to enter into this Agreement and the other agreements contemplated herein and consummate the transactions contemplated hereby and thereby; and

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein, the Parties hereby agree as follows:

ARTICLE 1 PURCHASE AND SALE OF ASSETS

1.1 The Transaction.

(a) **Purchase and Sale of Company Assets** . Subject to the terms and conditions set forth in this Agreement, Buyer shall purchase and Seller shall sell substantially all of the assets of Company including but not limited to all tangible, intangible, real, personal, or mixed property of Seller used or useful in connection with the communications businesses owned by Seller, specifically including accounts receivable, cash on hand and in banks, contracts with customers for communications services, (but only to the extent acceptable to the Buyer), collocation equipment, lines, licenses, and contracts, (but only to the extent acceptable to Buyer), inventory, customer lists, customer records, goodwill, supplies, equipment, business records, communications licenses, authorizations, permits, certificates, pending applications for such or similar licenses, work in progress, leases, (but only to the extent acceptable to Buyer), copyrights, trademarks, marketing materials of every type and every nature, prepayments and deposits of every type and description, any and all warranties, and insurances on any of the above, (but only to the extent assignable), and all other assets used or useful in connection with the Seller's communications business, but only to the extent said assets are acceptable to Buyer and are not otherwise specifically excluded herein. The parties specifically acknowledge and agree that the assets include those assets listed and detailed on **Schedule 1.1(a)** attached and incorporated by reference, (which assets together with those described in this section are hereinafter collectively referred to as the "Assets").

(b) **Liens and Encumbrances.** At Closing, Seller shall transfer to Buyer, using such transfer documents as may be acceptable to Buyer, good and marketable title to the Assets, free and clear of all liens, claims, and encumbrances of every nature whatsoever without limitation except as otherwise specifically provided herein.

(c) **Liabilities.**

(i) Buyer and Seller agree that Buyer shall not assume in whole or in part any liabilities associated with the Assets, or with Seller's business, including but not limited to liens, claims, encumbrances, taxes, penalties, fines, levies, governmental charges of any kind whatsoever without limitation, executory contracts, leases, employment agreements, service agreements, or any other agreements, liabilities, or obligations, whether written or oral, except as otherwise specifically provided herein.

(ii) Notwithstanding the foregoing, and subject to the terms and conditions herein, Buyer shall assume solely those liabilities, debts, obligations, and contracts specifically identified and listed on **Schedule 1.1(c)** attached and incorporated by reference (collectively the "Assumed Liabilities"), but no others, all of which shall be assigned to Buyer at Closing using such transfer documents as may be acceptable to Buyer. Buyer shall have the right but not the obligation to assume other contracts and obligations and if Buyer so elects, Seller shall assign such contracts and obligations to Buyer using such transfer documents as may be acceptable to Buyer.

(d) **Consideration.** In consideration of the purchase and sale transaction described herein, Parent shall pay to Company the total, maximum, aggregate consideration of _____ in value ("*Gross Consideration*"), adjusted downward, by such of the following enumerated items as have been assumed, paid, suffered or incurred by Parent: (1) any and all amounts of indebtedness, liabilities, or obligations of Company, including long term, short term, and trade accounts payable as of September 6, 2000; (2) the outstanding balance as of September 6, 2000 (both principal and interest), under that certain line of credit promissory note dated July 31, 2000, executed by Company in favor of Parent ("*Line of Credit*") and that certain line of credit promissory note dated August 25, 2000, executed by Company in favor of Parent ("*Additional Line of Credit*"); (3) any amounts needed to establish reserves or to otherwise satisfy any liabilities or obligations of the Company, contingent or otherwise as of September 6, 2000 but only to the extent not covered by any other adjustment to the Gross Consideration; (4) any and all legal, brokerage, accounting or other professional fees incurred by Company including those incurred by either Buyer or Company in connection with the transactions described herein; (5) any and all increases (but not decreases) in any of the adjustments set forth in (1), (2), (3) and (4) above as of Closing; (6) 200% of any amounts paid by Parent to enable Company to redeem or repurchase any shares of the outstanding capital stock of Company or rights, warrants, or options to acquire same in order to prevent any holder of such shares or rights who is not an accredited investor (as determined by legal counsel for Buyer in its sole discretion) from receiving any shares of stock or other securities issued by Buyer (but Parent is not obliged to assist Company in redeeming or repurchasing any such shares or rights); (7) any amounts paid or incurred by Parent, including legal fees and costs, in connection with defending, litigating, contesting, resolving or otherwise settling

or compromising any issues with or claims made by or through any third parties including employees or former employees of Company or holders of any stock or other equity interests or securities issued by Company or rights, warrants, or options to acquire same, whether now existing or hereafter arising, including but not limited to pending litigation against Company and issues involving dissenter's, appraisal, or similar valuation rights, and specifically including any and all issues or claims asserted by, through or on behalf of Bill Hatley (but Parent is not obliged to defend, litigate, contest, settle, resolve, or compromise, any such issues or claims); and (8) any other amounts or adjustments required hereunder and not previously made including but not limited to: (i) any additional extensions of credit by Parent to Company (but Parent is not obliged to make any such additional extensions of credit); (ii) any amounts paid or incurred by Buyer in connection with its management of the Company pursuant to the Management Agreement described herein; (iii) any claims for indemnification as provided herein; and (iv) any and all other amounts suffered or incurred by Parent in connection with Company's debts, liabilities, or obligations, contingent or otherwise, now existing or hereafter arising and directly or indirectly related to Company's business activities or operations prior to Closing. The aforesaid adjustments are hereinafter referred to as "*Company Liabilities*" and items (1), (2), (3), and (4) above shall be set forth and detailed in **Schedule 1.2(d)(1)** hereto as of September 6, 2000 and said Schedule shall be updated as of Closing to take into account items (4), (5), (6), (7) and (8) above. The parties acknowledge that neither Parent nor Sub is agreeing to assume any of the Company Liabilities. The parties further acknowledge and agree that to the extent Parent is able to reduce any of the Company Liabilities which Parent has agreed to assume pursuant to Section 1.1(c)(ii) herein, said reduction shall not reduce the amount of the adjustments to Gross Consideration described above. The Gross Consideration, adjusted as set forth above, is hereinafter referred to as the "*Adjusted Consideration*".

(e) **Stock Consideration.** The *Adjusted Consideration* shall be equal to the number of shares of validly issued, fully paid, and non-assessable common stock of Parent, par value \$0.01 per share, ("*Parent Common Stock*"), determined by a fraction, the numerator of which is the Adjusted Consideration, and the denominator of which is and Dollars.

The Parent Company Stock as determined above, is hereinafter referred to as the "*Stock Consideration*".

(e) **Closing Date Company Liabilities.**

(1) **Determination of Company Liabilities.** As promptly as practicable, but no later than thirty (30) days after the Closing Date, the Parent and the Company, shall together determine the Company Liabilities as of the Closing Date, without taking into account any reduction in the Company Liabilities occurring between the date hereof and Closing. If the Company Liabilities as determined in the preceding sentence are greater than the Company Liabilities previously determined pursuant to Section 1.2(d), then in such event, the Parent and the Company Representative shall deliver written instructions to the Escrow Agent to return to the Parent the number of Escrow Shares equal (valued at \$5.852 per share) to such excess.

(2) **Dispute Resolution.** If the parties are unable to resolve any dispute concerning Company Liabilities as set forth above or as described in Section 1.2(d), such dispute shall be resolved by Parent's independent accounting firm and such determination shall be final and binding on the parties hereto.

1.3 Deliveries at Closing. Closing shall occur as soon as practicable at the offices of Parent on a date and at a time and place as the parties may agree ("Closing") when all conditions precedent to Closing have been satisfied or waived and in any event Closing shall occur by the Closing Date Deadline as hereinafter defined.

(a) **Delivery of Certificates.** At Closing, the Parent shall deposit certificates, representing in the aggregate 100% of the Stock Consideration (collectively, the "*Escrow Shares*") with the escrow agent, to be held for a fifteen month period beginning the date of Closing and disbursed by escrow agent in accordance with the escrow agreement attached as **Exhibit 1.3** (the "*Escrow Agreement*").

(b) **No Fractional Shares.** No certificates or scrip representing fractional shares of Parent Common Stock shall be issued. All fractional share interests will be rounded to the nearest whole share.

(c) **Stock Legends.** The shares of Parent Common Stock to be issued shall be characterized as "*restricted securities*" under the Securities Act, and each certificate representing any of such shares shall bear a legend identical or similar in effect to the following legend (together with any other legend or legends required by applicable state securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "*ACT*") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED. FURTHER, THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO TERMS, RESTRICTIONS, AND CONDITIONS AS SET FORTH IN A STOCKHOLDERS AGREEMENT, A COPY OF WHICH IS AVAILABLE FROM THE ISSUER.

1.4 Tax Consequences.

If Company adopts a plan of reorganization in conjunction with the transaction contemplated hereby, for federal income tax purposes, the transaction contemplated hereby along with such plan are intended to constitute a tax free reorganization within the meaning of Section 368 of the Code.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to exceptions as set forth on the Company Disclosure Schedule hereto (which relate to the individual representations contained hereinbelow as indicated by section numbers on such Disclosure Schedules) and which Disclosure Schedules shall be updated by Company and delivered to Parent three (3) Business Days prior to Closing), the Company and Smock hereby jointly and severally represent and warrant to Parent and Sub as of the date hereof and as of Closing as follows:

2.1 Organization and Good Standing.

Each of the Company and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization and has the corporate power and authority to own, lease and operate the properties used in its business and to carry on its business as now being conducted. Each of the Company and its Subsidiaries is duly qualified to do business and is in good standing as a foreign corporation in each state and jurisdiction where qualification as a foreign corporation is required for the Company and its Subsidiaries to carry on their respective businesses as now being conducted, except for such failures to be qualified and in good standing, if any, which would not, or could not reasonably be expected to, have a Material Adverse Effect. **Schedule 2.1** hereto lists: (i) the Company's Subsidiaries; (ii) the states and other jurisdictions where the Company and its Subsidiaries are so qualified; and (iii) the assumed names under which the Company and its Subsidiaries conduct business and contains complete and correct copies of the Articles of Incorporation and Bylaws of the Company and each of its Subsidiaries, each as amended and presently in effect.

2.2 Subsidiaries.

The Company does not have any Subsidiaries or any other interest or investment in any Person.

2.3 Capitalization.

(a) The authorized capital stock of the Company and each of its Subsidiaries and the number of shares of capital stock that are issued and outstanding are set forth on **Schedule 2.3(a)** hereto. The shares listed on **Schedule 2.3(a)** hereto constitute all the issued and outstanding shares of capital stock of the Company and each of its Subsidiaries, have been validly authorized and issued, and are fully paid and non-assessable. The Company has issued no security, option, warrant, right, call, put, subscription, agreement, commitment or understanding of any nature whatsoever, fixed or contingent, that directly or indirectly: (i) calls for issuance, sale, pledge or other disposition, or any acquisition, purchase or repurchase, of any shares of capital stock of the Company or any securities convertible into, or other rights to acquire, any shares of capital stock of the Company or its Subsidiaries; (ii) obligates the Company or its Subsidiaries to grant, offer or enter into any of the foregoing; or (iii) relates to the voting or control of such capital stock, securities or rights, except as provided in this Agreement.

(b) None of the issued and outstanding shares of the capital stock of the Company and or any of its Subsidiaries has been issued in violation of any pre-emptive rights or of any federal or state securities laws. Neither the Company nor any of its Subsidiaries has agreed to register any securities under the Securities Act.

(c) Schedule 2.3(a) details the names, addresses, and federal tax identification numbers of all owners of capital stock, or warrants, options or other rights to acquire capital stock or other equity interests in Company, each of whom is an Accredited Investor within the meaning of Rule 501 promulgated under the Securities Act of 1933, as amended, or is an Institutional Investor within the meaning of Rule 144A promulgated under said Act, for at least one of the reasons set forth in Addendum 1 attached and incorporated by reference.

2.4 Authority, Approvals and Consents.

The Company has the corporate power and authority to enter into this Agreement and the Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. The execution, delivery and performance of this Agreement and the Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized and approved by the Board of Directors and Shareholders of the Company and no other corporate proceedings on the part of the Company are necessary to authorize and approve this Agreement and the Transaction Documents to which it is a party and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Company, enforceable against the Company in accordance with its terms. The execution, delivery and performance by the Company of this Agreement and the Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby do not and will not:

- (a) contravene any provisions of the Articles of Incorporation or Bylaws of the Company or its Subsidiaries;
- (b) conflict with, result in a breach of any provision of, constitute a default under, result in the modification or cancellation of, or give rise to any right of termination or acceleration, or require a prepayment, in respect of, any Company Agreement, or require any consent or waiver of any party to any Company Agreement;
- (c) result in the creation of any Lien upon, or the right of any Person to acquire, any properties, Assets or rights of the Company or its Subsidiaries (other than the rights of Parent to acquire the Company pursuant to this Agreement);
- (d) violate or conflict with any Legal Requirements applicable to the Company or any of its Subsidiaries or any of their respective businesses or properties; or
- (e) require any authorization, consent, order, permit or approval of, or notice to, or filing, registration or qualification with, any Governmental Authority (other than from the FCC & applicable state public utility authorities).

Except as referred to above, no permit or approval of, or notice to any Governmental Authority is necessary to be obtained or made by the Company to enable the Company and its Subsidiaries to continue to conduct its business and operations and use their properties after the Closing in a manner which is in all material respects consistent with that in which they are presently conducted and used.

2.5 Financial Statements.

Attached as **Schedule 2.5** are true and complete copies of the audited consolidated balance sheets of the Company as of December 31, 1999 ("*1999 Balance Sheet*"), and the related audited consolidated statements of income, shareholders' equity and cash flow for the fiscal year ended December 31, 1999, together with the report thereon issued by Arthur Andersen & Co. and together with the notes thereto (the "*Audited Financial Statements*"). Also attached as **Schedule 2.5** are the unaudited consolidated financial statements, including balance sheet, statement of income, shareholder's equity and statement of cash flow, for and as of July 31, 2000 (the "*Unaudited Financial Statements*" and together with the Audited Financial Statements referred to herein collectively as the "*Financial Statements*"). The Financial Statements of the Company are in accordance with books and records of the Company, fairly present in all material respects the financial position, results of operations, shareholders' equity and changes in the financial position of the Company as of the dates and for the periods indicated in accordance with GAAP, except that the Unaudited Financial Statements may not be in conformance with GAAP due to the absence of footnotes and customary year-end adjustments which would not be individually or in the aggregate material. The Financial Statements of the Company include all adjustments, which consist of only normal recurring accruals, necessary for such fair presentations. The statements of income included in the Financial Statements of the Company do not contain any items of special or non-recurring income except as expressly identified therein, and the balance sheets included in the Financial Statements of the Company do not reflect any write up or revaluation increasing the book value of any Assets except as expressly identified therein. The books and accounts of the Company and its Subsidiaries are complete and current and fairly reflect all of the transactions, items of income and expense and all Assets and liabilities of the businesses of the Company and its Subsidiaries consistent with prior practices of the Company and its Subsidiaries.

2.6 Absence of Undisclosed Liabilities.

Neither the Company nor its Subsidiaries have any liability of any nature whatsoever (whether known or unknown, due or to become due, accrued, absolute, contingent or otherwise), including, without limitation, any unfunded obligation under employee benefit plans or arrangements as described in Sections 2.17 and 2.18 hereof or liabilities for Taxes, except for: (a) liabilities reflected or reserved against in the Unaudited Financial Statements of the Company; and (b) current liabilities incurred in the ordinary course of business and consistent with past practice after the date of the Unaudited Financial Statements.

2.7 Absence of Changes; Conduct of Business.

Since the date of the 1999 Balance Sheet, except as contemplated by or as disclosed in this Agreement, each of the Company and its Subsidiaries has operated in the ordinary course of business consistent with past practice and since such date there has not been (a) any event or development that has, individually or in the aggregate, a Company Material Adverse Effect, or (b) any action taken by the Company or its Subsidiaries during the period from the date of the Unaudited Financial Statements through the date of this Agreement that, if taken during the period from the date of this Agreement through the Closing Date, would constitute a breach of Section 5.3.

2.8 Taxes.

(a) All Tax Returns required to be filed by or on behalf of the Company or its Subsidiaries have been properly prepared and duly and timely filed with the appropriate taxing authorities in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings), and (i) all such Tax Returns were true, complete and correct in all respects, (ii) all Taxes required to be paid by or on behalf of the Company or its Subsidiaries or in respect of the Company's or its Subsidiaries' income, Assets or operations have been fully and timely paid, (iii) neither the Company or its Subsidiaries has executed or filed with the IRS or any other taxing authority any agreement, waiver or other document or arrangement extending or having the effect of extending the period for assessment or collection of Taxes (including, but not limited to, any applicable statute of limitation), and no power of attorney with respect to any Tax matter is currently in force, and (iv) all Taxes required to be withheld by the Company or its Subsidiaries have been duly and timely withheld and have been paid over to the appropriate taxing authorities for all periods under all applicable Legal Requirements. The Company and its Subsidiaries have made adequate provision on their respective books (on an annual basis) for the payment of all Taxes (including for the current fiscal period) owed by the Company and its Subsidiaries. Copies of all Tax Returns of the Company and its Subsidiaries for each of the five (5) fiscal years preceding the date hereof have been furnished or made available to the Sub and to Parent or its representatives and such copies are accurate and complete as of the date hereof. The Company has also furnished or made available to the Sub and Parent correct and complete copies of all material notices and correspondence sent or received since December 31, 1994 by the Company or its Subsidiaries to or from any federal, state or local tax authorities.

(b) Neither the Company nor its Subsidiaries has been subject to a federal or state tax audit of any kind and no adjustment has been proposed by the IRS with respect to any return for any year. Neither the Company nor any of the Shareholders knows of any Basis for any assertion of a deficiency for Taxes against the Company or its Subsidiaries.

(c) No claim has been made by a taxing authority in a jurisdiction where the Company or its Subsidiaries does not file tax returns to the effect that it is or may be subject to taxation by that jurisdiction.

(d) Neither the Company nor any other Person (including the Shareholders) on behalf of the Company has: (i) agreed to or is required to make any adjustments pursuant to §481(a) of the Code or any similar provision of state, local or foreign law by reason of a change in accounting method initiated by the Company or has knowledge that the IRS has proposed any such adjustment or change in accounting method, or has any application pending with any taxing authority requesting permission for any changes in accounting methods that relate to the business or operations of the Company or (ii) executed or entered into a closing agreement pursuant to Section 7121 of the Code or any predecessor provision thereof or any similar provision of state, local or foreign law with respect to the Company.

(e) No property owned by the Company or its Subsidiaries is: (i) property required to be treated as being owned by another Person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately prior to the enactment of the Tax Reform Act of 1986; (ii) constitutes "*tax-exempt use property*" within the meaning of Section 168(h)(1) of the Code; or (iii) is "*tax-exempt bond financed property*" within the meaning of Section 168(g) of the Code.

(f) Neither the Company nor its Subsidiaries is a party to any tax-sharing or similar agreement or arrangement (whether or not written) pursuant to which it will have any obligation to make any payments after the Closing. Neither the Company nor its Subsidiaries has been a member of an affiliated group filing a consolidated federal income tax return. Neither the Company nor its Subsidiaries has, or will have, any

liability for the Taxes of any Person other than the Company and its Subsidiaries (i) under Treas. Reg. § 1.1502-6 (or any similar provision of state, local or foreign law), (ii) as a transferee or successor, (iii) by contract or (iv) otherwise.

(g) Neither the Company nor its Subsidiaries is subject to any private letter ruling of the IRS or comparable rulings of other taxing authorities.

(h) There are no Liens as a result of any unpaid Taxes upon any of the Assets of the Company or its Subsidiaries.

2.9 Legal Matters. There is no Claim pending against, or, to the best of the Company's knowledge, threatened against, the Company, its Subsidiaries, any ERISA Plan or any of their respective Assets, properties, Licenses or rights before any court, arbitrator, panel, agency or other governmental, administrative or judicial entity, domestic or foreign, nor is any basis known to the Shareholders or the Company for any such Claims. Neither the Company nor any of its Subsidiaries, nor any of their respective Assets, are subject to any judgment, decree, writ, injunction, ruling or order (collectively, "*Judgments*") of any Governmental Authority, domestic or foreign. There have been no citations, notices or complaints issued to or received by the Company or any of its Subsidiaries by the Occupational Health and Safety Administration or any similar state or local agency.

2.10 Property.

(a) Each of the Company or its Subsidiaries has, or on the Closing Date will have, good, valid and marketable title in fee simple, free and clear of all Liens other than Permitted Liens, to the properties and Assets owned by, and has or will have on the Closing Date a valid and binding leasehold interest in the properties and Assets leased to the Company or its Subsidiaries (including improvements to the Owned Real Property (the "*Improvements*") and all machinery, equipment and other tangible property), and all such properties and Assets are in all material respects adequate for the purposes of which such Assets are currently used or are held for use, and are in good repair and operating condition (subject to normal wear and tear) and, to the best of the Company's knowledge, there are no facts or conditions affecting such Assets which could, individually or in the aggregate, interfere with the use, occupancy or operation thereof as currently used, occupied or operated, or their adequacy for such use.

(b) **Schedule 2.10(b)** contains a complete list of all real property owned by the Company or its Subsidiaries (the "*Owned Real Property*"), setting forth the address and owner of each parcel and describing all improvements thereon. There are no outstanding leases, options or rights of first refusal to purchase the Owned Real Property, or any portion thereof or interest therein. Since the date of the Company's incorporation, neither the Company nor any of its Subsidiaries has owned or held any ownership interest in any real property other than the Owned Real Property set forth on Schedule 2.10(b).

(c) **Schedule 2.10(c)** contains a complete list of all real property leased by the Company or its Subsidiaries setting forth the address, landlord and tenant for each such lease. The Company has delivered to Parent complete copies of such leases. Each such lease is legal, valid, binding, enforceable, and in full force and effect, except as may be limited by bankruptcy, insolvency, reorganization and similar applicable laws affecting creditors generally and by the availability of equitable remedies. Neither the Company nor any of its Subsidiaries is, nor has been in the last 12 months, in default, violation or breach in any respect under any such lease, and no event has occurred and is continuing that constitutes or, with notice or the passage of time or both, would constitute a default, violation or breach in any respect under any such lease with respect to the Company or its Subsidiaries, or, the Company's knowledge, any other party thereto. Each such lease grants

the tenant under the Lease the right to use and occupy the demised premises thereunder (the "*Leased Real Property*"). Each of the Company and its Subsidiaries enjoys peaceful and undisturbed possession under its respective Leases for the Leased Real Property.

(d) The Owned Real Property and the Leased Real Property constitute all the fee and leasehold interests in real property held for use in connection with, necessary for the conduct of, or otherwise material to, the business of the Company or its Subsidiaries, as applicable, as it is currently conducted.

(e) To the knowledge of the Company, there are no eminent domain or other similar proceedings pending or threatened affecting any portion of the Owned Real Property or the Leased Real Property. There is no writ, injunction, decree, order or judgment outstanding, nor any action, claim, suit or proceeding, pending or threatened, relating to the ownership, lease, use, occupancy or operation by any Person of any Owned Real Property or Leased Real Property.

(f) The use and operation of the Owned Real Property or the Leased Real Property by the Company or its Subsidiaries does not violate (other than in immaterial respects) any instrument of record or agreement affecting the Owned Real Property or the Leased Real Property. There is no violation (other than immaterial violations) of any covenant, condition, restriction, easement or order of any Governmental Authority having jurisdiction over such property or of any other Person entitled to enforce the same affecting the Owned Real Property or the Leased Real Property or the use or occupancy thereof. No damage or destruction has occurred with respect to any of the Owned Real Property or the Leased Real Property that would, individually or in the aggregate, have a Material Adverse Effect on the Company.

(g) The Owned Real Property is in full compliance with all applicable building, zoning, subdivision and other land use and similar applicable laws affecting, in any respect other than immaterial variances or violations, the Owned Real Property (collectively, the "*Real Property Laws*"). Neither the Company nor its Subsidiaries has received any notice of violation or claimed violation of any Real Property Law. No current use by the Company or its Subsidiaries of the Owned Real Property or the Leased Real Property is dependent on a nonconforming use or other Governmental Approval, the absence of which would materially limit the use of such properties or Assets held for use in connection with, necessary for the conduct of, or otherwise material to, the Company or its Subsidiaries, as applicable.

2.11 Environmental Matters.

(a) Each of the Company and its Subsidiaries is in compliance with Environmental, Health, and Safety Requirements.

(b) None of the Company or any of its Subsidiaries has received any written or oral notice, report or other information regarding any actual or alleged violation of Environmental, Health and Safety Requirements, or any liabilities or potential liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), including any investigatory, remedial or corrective obligations, relating to the Company or its Subsidiaries, the Owned Real Property or the Company's or its Subsidiaries' respective facilities arising under Environmental, Health and Safety Requirements.

(c) None of the Company or any of its Subsidiaries has, either expressly or by operation of law, assumed or undertaken any liability, including without limitation any obligation for corrective or remedial action, of any other Person relating to Environmental, Health and Safety Requirements.

(d) The Company has provided to Parent all environmental studies and reports obtained by it or

known to it pertaining to the Owned Real Property, the Improvements, the Company, its Subsidiaries and any property formerly owned, occupied or leased by the Company or its Subsidiaries.

2.12 Inventories.

The values at which inventories are carried on the Unaudited Financial Statements reflect the normal inventory valuation policies of the Company, and the values at which inventories are carried on the 1999 Balance Sheet reflect the normal inventory valuation policies of the Company but not in excess of the lower of cost or net realizable value. All inventories reflected on the Company's 1999 Balance Sheet or arising since the date thereof are of merchantable quality and readily salable at prices equal to or greater than the values at which such items are reflected in the Company's books and records, net of any applicable recorded reserves.

2.13 Notes and Accounts Receivable.

Schedule 2.13 contains a true and complete list of all the accounts receivable and notes receivable of the Company and its Subsidiaries as of July 31, 2000. All sales made on credit between such date and the Closing have been or will have been (as applicable) properly recorded on the books of the Company in the ordinary course of business. All notes and accounts receivable reflected on the Company's balance sheet included in the Unaudited Financial Statements are good and have been or will have been collected or are collectible in accordance with their terms (but in no event later than 90 days from the Closing Date) at their recorded amounts, and are subject to no defenses, setoffs or counterclaims, subject to the reserve for bad debts set forth on such balance sheets to the extent applicable.

2.14 Insurance.

The Company has provided Parent with copies of all policies of fire, liability, workmen's compensation and other forms of insurance owned or held by the Company or any of its Subsidiaries, all of which are listed in on **Schedule 2.14**. Such policies are in such amounts and cover such risks customarily insured against by businesses of the type operated by the Company or its Subsidiaries. All such policies are in full force and effect, all premiums due with respect thereto covering all periods up to and including the Closing will have been paid, and no notice of cancellation or termination has been received with respect to any such policy. Such policies will remain in full force and effect through the respective dates set forth in on **Schedule 2.14** without the payment of additional premiums and will not in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement. All material pending claims, if any, made against the Company or any of its Subsidiaries that are covered by insurance are described on **Schedule 2.14**. Neither the Company nor any of its Subsidiaries has been refused any insurance with respect to its Assets or operations, by any insurance carrier to which it has applied for any such insurance or with which it has carried insurance during the last eighteen (18) months.

2.15 Contracts.

(a) **Schedule 2.15** contains a complete list of all agreements, contracts, commitments and other instruments and arrangements (whether written or oral) of the types described below to which the Company or any of its Subsidiaries is a party or by which any of them or their respective properties each is bound ("*Company Agreements*"):

(i) loan agreements, indentures, letters of credit, mortgages, security agreements, pledge agreements, deeds of trust, bonds, notes, guarantees and other agreements and instruments relating to the borrowing of money or obtaining of or extension of credit;

(ii) brokerage or finder's agreements;

(iii) joint venture, partnership and similar contracts involving a sharing of profits or expenses (including but not limited to joint research and development and joint marketing contracts);

(iv) stock purchase agreements, merger agreements, asset purchase agreements and other acquisition or divestiture agreements, including but not limited to any agreements relating to the sale, lease or disposal of any Assets (other than sales of inventory in the ordinary course of business) or involving continuing indemnity or other obligations;

(v) contracts with respect to which the aggregate amount that could reasonably be expected to be paid or received thereunder in the future exceeds \$50,000 per annum or \$50,000 in the aggregate;

(vi) sales agency, manufacturer's representative, dealer, marketing or distributorship agreements;

(vii) powers of attorney;

(viii) a description of the types of guaranties, warranties or indemnities given by the Company or its Subsidiaries to its customers; and

(ix) interconnections, collocations and other agreements relating to the lease or use of communications networks on communication facilities of third parties.

For all purposes herein, the term "*Company Agreements*" shall also include, without limitation, any other contracts, agreements or commitments included on the Company Disclosure Schedules or any other schedule or exhibit hereto by virtue of any other representation or warranty of the Company or its Subsidiaries contained in this Agreement.

(b) Neither the Company nor any of its Subsidiaries is a party to, or bound by, any agreements, contracts, commitments or other instruments or arrangements (whether written or oral) which require a minimum commitment to purchase, lease or otherwise acquire, or a minimum commitment to sell or dispose of, materials, supplies, products or services in excess of \$100,000 individually or in the aggregate.

(c) The Company has (i) delivered or made available to Parent complete copies of all written Company Agreements, together with all amendments thereto, required to be set forth on **Schedule 2.15**, and (ii) has set forth on **Schedule 2.15** accurate descriptions of all material terms of all oral Company Agreements.

(d) All Company Agreements are in full force and effect and enforceable against each party thereto, except as such enforceability may be limited by the effect of bankruptcy, insolvency or similar laws affecting creditors' rights generally or by general principles of equity. There does not exist under any Company Agreement any event of default or event or condition that, after notice or lapse of time or both, would constitute a violation, breach or event of default thereunder on the part of the Company or its Subsidiaries, as applicable, or, to the Company's knowledge, any other party thereto.

(e) There are no unresolved disputes involving any Shareholder, the Company, or its Subsidiaries or any of their respective employees under any Company Agreement.

(f) The transfer or assignment, prior to the date hereof, of any agreements or contracts to which any of the Company's Subsidiaries was a party did not constitute a violation, breach or event of default thereunder on the part of any of the Company's Subsidiaries.

2.16 Labor Relations.

(a) Each of the Company and its Subsidiaries has paid or made provision for the payment of all salaries and accrued wages and has complied with all applicable laws, rules and regulations relating to the employment of labor, including those relating to wages, hours, collective bargaining and the payment and withholding of taxes, and has withheld and paid to the appropriate Governmental Authority, or is holding for payment not yet due, to such authority, any amounts required by law or agreement to be withheld from the wages or salaries of its employees. **Schedule 2.16(a)** contains a list as of the date of this Agreement of all employees and independent contractors of the Company and its Subsidiaries, their current salaries or rates and the Company's salary increase guidelines.

(b) Neither the Company nor any of its Subsidiaries is a party to any: (i) outstanding employment agreements or contracts with officers or employees that are not terminable at will, or that provide for payment of any bonus or commission; (ii) agreement, policy or practice that requires it to pay termination or severance pay to exempt, non-exempt or hourly employees (other than as required by law); (iii) collective bargaining agreement or other labor union contract applicable to persons employed by the Company, nor are there any activities or proceedings of any labor union to organize any such employees. The Company has furnished to Parent complete and correct copies of all such agreements ("*Employment and Labor Agreements*"). Neither the Company nor any of its Subsidiaries has breached or otherwise failed to comply with any provisions of any Employment or Labor Agreement.

(c) There has not occurred, nor is there pending any unfair labor practice charge or complaint pending before the National Labor Relations Board ("*NLRB*"); any labor strike or dispute, union activity, material slowdown or material work stoppage or lockout actually pending or threatened, against or affecting the Company or any of its Subsidiaries, and neither the Company nor any of its Subsidiaries has experienced any such material slow down or material work stoppage, lockout or other collective labor action by or with respect to employees of the Company or its Subsidiaries; any representation claim or petition pending before the NLRB or any similar foreign agency and no question concerning representation exists relating to the employees of the Company or its Subsidiaries; or any charges with respect to or relating to the Company or any of its Subsidiaries pending before the Equal Employment Opportunity Commission or any state, local or foreign agency responsible for the prevention of unlawful employment practices. Neither the Company nor any of its Subsidiaries has received formal notice from any federal, state, local or foreign agency responsible for the enforcement of labor or employment laws of an intention to conduct an investigation of the Company or any of its Subsidiaries and no such investigation is in progress. Neither the Company nor any of its Subsidiaries has ever caused any substantial employee layoffs or work force reductions.

2.17 Employee Benefit Plans.

(a) **Schedule 2.17(a)** lists each Employee Benefit Plan that the Company or any of its Subsidiaries maintains, administers or contributes to, or with respect to which it has any contingent liability. The Company has provided to Parent a true and complete copy of each Employee Benefits Plan, current summary plan description (and, if applicable, related trust document) and all amendments thereto and written interpretations thereof and all material communications received from or sent to the Internal Revenue Service or Department of Labor within the last six (6) years (including a description of any oral communications).

(b) **Schedule 2.17(b)** identifies each Benefit Arrangement that the Company or any of its Subsidiaries maintains or administers. The Company has furnished to Parent copies or descriptions of each Benefit Arrangement. Each Benefit Arrangement has been maintained in material compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations which are applicable to such Benefit Arrangement.

(c) Neither the Company nor any of its Subsidiaries maintains or has ever maintained an *"employee benefit plan"* (as defined in Section 3(3) of ERISA) which is or was (i) a plan subject to Title IV of ERISA or (ii) a *"multiemployer plan"* (as defined in Section 3(37) of ERISA).

(d) Benefits under any Employee Benefit Plan or Benefit Arrangement are as represented in the documents provided by the Company pursuant to paragraphs (a) and (b) of this Section 2.17 and have not been increased or modified (whether written or not written) subsequent to the dates of such documents. The Company has not communicated to any employee or former employee any intention or commitment to modify any Employee Benefit Plan or Benefit Arrangement or to establish or implement any other employee or retiree benefit or compensation arrangement.

(e) Each Employee Benefit Plan which is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period from its adoption to date, and, to the knowledge of the Company, no event has occurred since such adoption that would adversely affect such qualification and each trust created in connection with each such Employee Benefit Plan or forming a part thereof is exempt from tax pursuant to Section 501(a) of the Code. The Company or one of its Subsidiaries has received from the Internal Revenue Service a favorable determination letter on each such Employee Benefit Plan; no such determination letter has been revoked; and all plan amendments required as a condition to the issuance of any such letter have been adopted in a timely manner. Each Employee Benefit Plan has been maintained and administered in material compliance with its terms and with the requirements prescribed by any and all applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code.

(f) To the best of the Company's knowledge, neither the Company nor its Subsidiaries nor any of their respective shareholders, directors, officers or employees, nor any fiduciary of any Employee Benefit Plan, has engaged in any transaction with respect to an Employee Benefit Plan that could subject the Company or any of its Subsidiaries to a tax, penalty or liability for a prohibited transaction, as defined in Section 406 of ERISA or Section 4975 of the Code.

(g) Neither the Company nor any of its Subsidiaries has any current or projected liability in respect of post-retirement or post-employment welfare benefits for retired, current or former employees except to the extent otherwise required by the health care continuation coverage requirements of COBRA as set forth in Section 4980B(f) of the Code and Sections 601 through 608 of ERISA. No health, medical, death or survivor benefits have been provided under any Benefit Arrangement to any person who is not an employee or former employee of the Company or a dependent thereof.

(h) There is no litigation, administrative or arbitration proceeding or other dispute pending or, to the Company's knowledge, threatened that involves any Employee Benefit Plan or Benefit Arrangement which could reasonably be expected to result in any material liability to the Company or its Subsidiaries, any employees or directors of the Company or its Subsidiaries, or any fiduciary (as defined in ERISA Section 3(21)) of such Employee Benefit Plan or Benefit Arrangement.

(i) No employee or former employee of the Company or its Subsidiaries will become entitled to receive from the Company or Parent any bonus, retirement, severance, job security or similar benefit or enhanced benefit (including, without limitation, acceleration of compensation, an award, vesting or exercise of an incentive award) or any fee or payment of any kind solely as a result of any of the transactions contemplated hereby.

(j) Neither the Company nor any of its Subsidiaries is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code (i.e., a golden parachute), or result in the imposition of excise tax under Section 4999 of the Code.

(k) No Employee Benefit Plan that is an employee welfare benefit plan, as defined in section 3(1) of ERISA, is funded through a "welfare benefit fund" (within the meaning of Section 419(e) of the Code) and no benefits under the Employee Benefit Plan are provided through a voluntary employees' beneficiary association (within the meaning of Section 501(c)(9) of the Code) or a supplemental unemployment benefit plan (within the meaning of Section 501(c)(17) of the Code).

(l) All contributions required to be made to date have, or prior to the Closing will have, been made, or have been accrued as liabilities on the financial statements of the Company and the Subsidiaries, and neither the Company nor the Subsidiaries will have any liability (actual or contingent) under any insurance policy (or ancillary agreement relating to such insurance policy) in the nature of a retroactive rate adjustment or loss sharing or similar arrangement arising wholly or partially out of events occurring prior to the Closing.

(m) **Schedule 2.7(m)** lists all employee stock options previously approved by the Company's board of directors but none of said options have been issued.

2.18 Transactions with Insiders.

Except for employment relationships in the ordinary course of business, set forth on **Schedule 2.18** hereto is a complete and accurate description of all (i) transactions between the Company or any ERISA Plan, on the one hand, and any Insider, on the other hand, that have occurred since January 1, 1998 and that exceed \$10,000 individually or in the aggregate, and (ii) all written or oral agreements or contracts, and any other written instruments, evidencing or made in connection with any transaction involving the sale or acquisition of Assets, or any liabilities arising in connection therewith, which involved the Company and its Subsidiaries, on the one hand, and any Insider or any of its Affiliates, on the other hand.

2.19 Propriety of Past Payments.

No funds or Assets of the Company have been used for illegal purposes; no unrecorded funds or Assets of the Company have been established for any purpose; no accumulation or use of the Company's corporate funds or Assets has been made without being properly accounted for in the respective books and records of the Company; no false or artificial entry has been made in the books and records of the Company for any reason; no payment has been made by or on behalf of the

Company with the understanding that any part of such payment is to be used for any purpose other than that described in the documents supporting such payment; and the Company has not made, directly or indirectly, any illegal contributions to any political party or candidate, either domestic or foreign.

2.20 Brokers.

Neither the Company, nor any director, officer or employee thereof, nor the Shareholders or any representative of the Shareholders, has employed any broker or finder or has incurred or will incur any broker's, finder's or similar fees, commissions or expenses, in each case in connection with the transactions contemplated by this Agreement.

2.21 Territorial Restrictions.

The Company is not restricted by any written agreement or understanding with any Person from carrying on its business with any Person anywhere in the world. Parent, solely as a result of the transactions contemplated hereby, will not thereby become restricted in carrying on any business anywhere in the world.

2.22 Intellectual Property.

(a) **Schedule 2.22(a)** contains a complete list of all Intellectual Property that is owned by the Company and primarily related to, used in, held for use in connection with, or necessary for the conduct of, or otherwise material to the Company (the "*Owned Intellectual Property*") other than: (i) inventions, trade secrets, processes, formulae, compositions, designs and confidential business and technical information; and (ii) Intellectual Property that is both not registered or subject to application for registration and not material to the Company. The Company owns or has the right to use pursuant to license, sublicense, agreement or permission all Intellectual Property used in the Company's business as presently conducted. The Company owns the Owned Intellectual Property free from any Liens (other than Permitted Liens) and free from any requirement of any past, present or future royalty payments, license fees, charges or other payments, or conditions or restrictions whatsoever. The Owned Intellectual Property comprises all of the Intellectual Property necessary for Parent to conduct and operate the Company as now being conducted. The Company does not infringe on or otherwise conflict with any rights of any Person in respect of any Intellectual Property used in the Company's business as presently conducted.

(b) **Schedule 2.22(b)** sets forth all agreements: (i) pursuant to which the Company has licensed Intellectual Property to, or the use of Intellectual Property by, any other Person; and (ii) pursuant to which the Company has had Intellectual Property licensed to it, or has otherwise been permitted to use Intellectual Property. Except as set forth on **Schedule 2.22(b)**, all of the agreements or arrangements set forth on **Schedule 2.22(b)**: (A) are in full force and effect in accordance with their terms and no default exists thereunder by the Company, or, to the Company's knowledge, by any other party thereto; (B) are free and clear of all Liens; and (C) do not contain any change in control or other terms or conditions that will become applicable or inapplicable as a result of the consummation of the transactions contemplated by this Agreement. The Company has delivered to Parent complete copies of all licenses and arrangements (including amendments) set forth on **Schedule 2.22(b)**.

(c) There is no proceeding that is pending or, to the Company's knowledge, threatened, which:

(i) challenges the rights of the Company in respect of any Intellectual Property; (ii) asserts that the Company is infringing or otherwise in conflict with, or is, except as set forth in **Schedule 2.22(b)**, required to pay any royalty, license fee, charge or other amount with regard to, any Intellectual Property; or (iii) claims that any default exists under any agreement or arrangement listed on **Schedule 2.22(b)**. None of the Intellectual Property is subject to any outstanding order, ruling, decree, judgment or stipulation by or with any court, arbitrator or administrative agency.

(d) None of the Owned Intellectual Property has been registered with, filed in or issued by, as the case may be, the United States Patent and Trademark Office, United States Copyright Office, or such other filing offices. The Company's election not to make any such filings or registrations with respect to its Owned Intellectual Property does not and will not materially impair or adversely affect the Company's intellectual property rights with respect to its Owned Intellectual Property, and the Company has taken such other actions as are reasonably necessary to ensure material protection under any applicable laws or regulations of its Owned Intellectual Property.

2.23 Compliance with Laws; Licenses.

(a) Except as set forth in **Schedule 2.23(a)**, the Company and its Subsidiaries have conducted and continue to conduct their respective businesses in accordance with all Licenses and Legal Requirements applicable to any of the businesses in which any of the Company and its Subsidiaries is engaged and in which they presently propose to engage, and the Company and its Subsidiaries are not in violation of any such License or Legal Requirement.

(b) The Company and its Subsidiaries hold all Licenses that are necessary to own, lease and operate the Assets and properties they currently own, lease and operate and to conduct their respective businesses and operations in the manner previously and currently conducted and as proposed to be conducted. **Schedule 2.23(b)** sets forth all Licenses issued by the FCC or any state public utility commission (including all approved tariffs and rate schedules) and all other Licenses held by the Company or its Subsidiaries, together with any pending applications filed by the Company or its Subsidiaries for other Licenses. The Company has delivered to Buyer correct and complete copies of all Licenses (including the applications related thereto) and all pending applications listed on **Schedule 2.23(b)**. No event has occurred with respect to any such License or application that would permit the revocation, termination, suspension or denial thereof or would result in any impairment of the rights of the holder thereof. No notice has been received and to Company's knowledge no investigation, review or proceeding is pending or threatened by any Governmental Authority with regard to any alleged violation by the Company or any of its Subsidiaries of any License or Legal Requirement or any alleged failure by the Company or any of its Subsidiaries to have any Licenses. There have been no citations, notices or complaints issued to or received by the Company or any of its Subsidiaries by or from the FCC or any state or local Governmental Authority with jurisdiction over the telecommunications industry, including, without limitation citations, notices or complaints relating to "slamming" or "cramming."

2.24 Systems Information.

As used herein, "System" means the telecommunications equipment and facilities used by the Company to provide service to customers in each of the geographic areas where it operates. The System includes telecommunications equipment and facilities owned or leased by the company or made available by agreement. **Schedule 2.24(i)** identifies the telecommunications equipment, facilities and collocation sites (85% of which are complete and fully operational), used or to be used to provide such services over the System. **Schedule 2.24(ii)** consists of functional diagrams of the Systems identifying their major components.

2.25 Network Equipment; Internet Related Systems.

(a) **Network Equipment.** All of the equipment, hardware, and software necessary to substantially operate the business is in good working condition and has been installed in accordance with and complies with the manufacturer's standard and applicable industry standards, including all applicable regulatory specifications. The telecommunication facilities operated by the Company and its Subsidiaries have been constructed using industry accepted guidelines and the Company has secured and is in compliance with all of the right-of-ways, vendor agreements and all other agreements, including, but not limited to, interconnection agreements necessary to operate the business. The ILEC collocation sites have been constructed according to ILEC and Industry standards and the Company and its Subsidiaries have complied with all of the terms and conditions of the collocation agreements. **Schedule 2.25** contains a complete and accurate list of all third party property, plant, structures and equipment used by the Company. Except as disclosed on **Schedule 2.25**, the systems do not use any fiber or copper cabling owned by the Company or its Subsidiaries. In addition, the Company has all rights necessary for the operation of all of the Company's switches to enter, place equipment in and utilize chases, conduits and other passageways in all of the buildings, plants, structures and locations where the Company's switches are located, and **Schedule 2.25** contains a list of all locations where the Company has such entry, placement and utilization rights. Except as set forth on **Schedule 2.25**, the Company and its Subsidiaries have all consents, approvals licenses and authorities (including those issued by the FCC, PUC's and other Governmental Authorities) necessary to use the plant, structures and equipment used by the Company and its Subsidiaries. The plant, structures, equipment and all other Assets of the Company and its Subsidiaries relating to its provision of telecommunication services are in good working order and repair and comply with applicable rules, regulations and standards regarding their intended use. All of the CLEC equipment, hardware, software, switch, transmission systems and all other equipment is a recent version of equipment offered by the respective vendors. The CLEC System connects to the SS7 network for signaling and corresponding features and functions. The Company has applied for and received all NXX codes and all other applicable codes in order to function as a CLEC and interconnect to the public switch telephone network, and the codes and all other equipment, functionality and agreements will not be impaired as a result of the transactions contemplated hereby. The Company is providing telephony service via collocation within ILEC's central offices and the leasing of unbundled loops and the Company complies with all aspects of the collocation agreement and regulations regarding the installation of equipment within an ILEC central office. The Company is providing direct operator service, directory assistance and E911 services. Except as set forth on **Schedule 2.25(b)**, the interconnection agreement between the Company and ILEC and all other agreements necessary to operate the CLEC business are in full force and effect and do not require any consents to the transactions contemplated hereby. The Company and its Subsidiaries have an inventory of spare parts and other materials relating to their CLEC business of the type, nature and amount consistent with Company's past practices and good CLEC industry practices.

(b) **Internet Related Systems.** Except as set forth on **Schedule 2.25(c)**, (i) all of the Internet-related Systems, services and platform servers are running, or peaking, at no higher than 85% of capacity, (ii) all of the Internet Related Systems' services that are critical to the Company's business are replicated in a redundant manner across available platform servers, (iii) the Subscriber blockage rate for dial-in Subscribers is no greater than 5% of Subscriber attempts across the overall network infrastructure, (iv) the configuration diagrams provided to Parent reasonably represent the redundant network facilities between major backbone locations, (v) the existing power plant(s) at the Company's main location is equipped with an uninterrupted power supply with a battery back-up of at least 8 hours, (vi) all deployed dial-in modem, modem shelf, and corresponding technology conform to the V.90 modem standard, (vii) the Company utilizes a DHCP, or other dynamic, IP address allocation scheme that conforms to industry standards to support residential Subscribers, and (viii) the Company has access to the quantity of IP addresses sufficient to support the Company's Subscriber base as currently existing. All domain names used by the Company or any of its Subsidiaries have been properly registered and are in good standing as of the date hereof.

2.26 Customers; Suppliers. **Schedule 2.26(a)** contains an accurate and complete list of all customers served by the Company and its Subsidiaries that have purchased customer premises equipment or related services during the twelve (12) month period ending the date of the Unaudited Financial Statements. **Schedule 2.26(b)** contains an accurate and complete list of all customers served by the Company and its Subsidiaries that are being provided local exchange services as of the date of this Agreement, and such schedule designates which customers are being served through resale of ILEC services and which are being served through the Company's switches. **Schedule 2.26(c)** contains an accurate and complete list of all customers served by the Company and its Subsidiaries that are being provided Internet access or data services as of the date of this Agreement. Neither the Company nor any Shareholder has received any notice, or has reason to believe, that any such customer of the Company or any of its Subsidiaries who has purchased customer premises equipment or related services exceeding \$10,000 (in the aggregate) during the aforesaid period has taken or contemplates taking any steps that could disrupt the business relationship of the Company or any of its Subsidiaries with such customer. **Schedule 2.26(d)** contains a complete list of all vendors and suppliers to which the Company and its Subsidiaries paid in excess of \$50,000 during the aforesaid period and neither the Company nor any Shareholder has received any notice, or has reason to believe that any such vendor or supplier has taken or contemplates taking any steps that could disrupt the business relationship of the Company and its Subsidiaries with such vendor or supplier.

2.27 Bonds.

Schedule 2.27 contains an accurate and complete list of all bonds (franchise, construction, fidelity, or performance) of the Company and its Subsidiaries which are required to be obtained by the Company or any of its Subsidiaries and which relate in any way to the ownership or use of their Assets and properties or the operation of the Systems.

2.28 Commitments.

There are no unfulfilled binding commitments for capital improvements which the Company or any of its Subsidiaries are obligated to make in connection with the Systems. There are no liabilities to Subscribers or to other users of services of the Company and its Subsidiaries, which services are material to the business or the Systems, except (i) with respect to deposits made by such Subscribers or such other users and (ii) the obligation to supply services to Subscribers in the ordinary course of business, pursuant to any applicable Licenses. There are no complaints by Subscribers or other users of the services of the Company and its Subsidiaries that, individually or in the aggregate, could adversely affect the financial condition, Assets, liabilities, operations or prospects of the Systems. The Company and its Subsidiaries have no obligation or liability for the refund of monies or for the provision of rebates to their Subscribers. Neither the Company nor any of its Subsidiaries has made a commitment to any Governmental Authority to maintain a local office in any location. The Company and its Subsidiaries have not made any commitment to any of the municipalities served by the Systems to pay franchise fees to any such municipality in excess of the amounts set forth in any applicable franchises. No material restoration, repaving, repair or other work (outside of ordinary maintenance) is required to be made by the Company and its Subsidiaries to any street, sidewalk or abutting or adjacent area pursuant to the requirements of any Law, Franchise, License, Company Agreement or other understanding relating to the installation, construction and operation of the Systems.

2.29 Deposit Accounts; Powers of Attorney.

Schedule 2.29 contains an accurate list, as of the date of this Agreement, of:

- (a) the name of each financial institution in which the Company has accounts or safe deposit boxes;
- (b) the names in which the accounts or boxes are held;
- (c) the type of account; and
- (d) the name of each Person authorized to draw thereon or have access thereto.

2.30 Investment.

Company: Understands that any Parent Common Stock delivered pursuant to this Agreement has not been registered under the Securities Act or under any state securities laws, and is being offered and sold in reliance upon federal and state exemptions for transactions not involving a public offering; is a sophisticated investor with knowledge and experience in business and financial matters; has received certain information concerning Parent and has had the opportunity to obtain additional information as desired; and is an Accredited Investor within the meaning of Rule 501 promulgated under the Securities Act of 1933, as amended or is an Institutional Buyer within the meaning of Rule 144A promulgated under said Act for at least one of the reasons set forth in **Addendum 1** attached and incorporated by reference. Company has made a full and fair disclosure of the terms hereof to all holders of outstanding shares of Company's capital stock or options, warrants, or rights to acquire same.

2.31 Disclosure.

To the best knowledge of the Company, the Company has not made any material misrepresentation to Parent relating to the Company, and the Company has not omitted to state to Parent any material fact relating to the Company which is necessary in order to make the information given by or on behalf of the Company to Parent not misleading or which if disclosed would reasonably affect the decision of Parent or the Sub to consummate the transactions contemplated hereby. To the best knowledge of the Company, the Company has not made any material misrepresentation of facts known by the Company to the holders of outstanding shares of Company capital stock or options, warrants, or rights to acquire same, relating to the Buyer, and the Company has not omitted to state to such holders any material fact known to the Company relating to the Buyer or the transactions contemplated hereby, which is necessary in order to make the information given by or on behalf of the Company to such holders, not misleading or which if disclosed would reasonably affect the decision of such holders to consent to or otherwise vote in favor of the transactions contemplated hereby.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE SHAREHOLDERS

Smock and each other Shareholder specifically made a party hereto, hereby individually, and not jointly and severally, represents and warrants to Parent and Sub as of the date hereof and as of Closing that

except as disclosed in writing to Buyer:

3.1 Intentionally Left Blank.

3.2 Authority.

Such Shareholder has all requisite power and authority and has full legal capacity and is competent to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by such Shareholder and constitutes a valid and binding obligation of such Shareholder, enforceable against such Shareholder in accordance with its terms. The execution, delivery and performance by such Shareholder of this Agreement and the consummation of the transaction contemplated hereby and thereby do not and will not:

(a) (after notice or lapse of time or both) conflict with, result in a breach of any provision of, constitute a default under, result in the modification or cancellation of, or give rise to any right of termination or acceleration in respect of, any material contract, agreement, commitment, understanding, arrangement or restriction to which such Shareholder is a party or to which such Shareholder or any of Shareholders' property is subject;

(b) violate or conflict with any Legal Requirements applicable to such Shareholder or any of such Shareholder's businesses properties; or

(c) require any authorization, consent, order, permit or approval of, or notice to, or filing, registration or qualification with, any Governmental Authority, as same may apply to such Shareholder.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Except as set forth on the Parent Disclosure Schedule hereto (which relate to the individual representations contained hereinbelow as indicated by section numbers on such Disclosure Schedules), each of Parent and Sub hereby jointly and severally represents and warrants to the Company as follows:

4.1 Organization and Good Standing.

Parent and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and has the corporate power and authority to own, lease and operate the properties used in its business and to carry on its business as now being conducted. Parent and each of its Subsidiaries is duly qualified to do business and is in good standing as a foreign corporation in each state and jurisdiction where qualification as a foreign corporation is required, except for such failures to be qualified and in good standing, if any, which would not, or could not reasonably be expected to, have a Material Adverse Effect. **Schedule 4.1** hereto lists: (i) all Subsidiaries of Parent; (ii) the states and other jurisdictions where Parent and its

Subsidiaries are so qualified; and (iii) the assumed names under which Parent and its Subsidiaries conduct business. Parent has heretofore delivered to the Company complete and correct copies of the Certificate of Incorporation and Bylaws of Parent and each of its Subsidiaries.

4.2 Subsidiaries.

Except as set forth on **Schedule 4.1**, Parent does not have any Subsidiaries.

4.3 Authority; Approvals and Consents.

Parent and Sub have the corporate power and authority to enter into this Agreement and the Transaction Documents to which they are a party and to perform their respective obligations hereunder and thereunder. The execution, delivery and performance of this Agreement and the Transaction Documents to which they are a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized and approved by the Board of Directors of Parent and Sub and no other corporate proceedings on the part of Parent or Sub are necessary to authorize and approve this Agreement and the Transaction Documents to which they are a party and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, Parent and Sub, enforceable against Parent and Sub in accordance with its terms. Except as disclosed on **Schedule 4.3**, the execution, delivery and performance by Parent and Sub of this Agreement and the Transaction Documents to which they are a party and the consummation of the transactions contemplated hereby and thereby do not and will not:

- (a) contravene any provisions of the Articles of Incorporation or Bylaws of Parent or Sub;
- (b) conflict with, result in a breach of any provision of, constitute a default under, result in the modification or cancellation of, or give rise to any right of termination or acceleration in respect of, any material agreement to which the Parent or its Subsidiaries are a party or their respective Assets are bound, or require any consent or waiver of any party to any Parent Agreement;
- (c) result in the creation of any Lien upon, or the right of any Person to acquire, any properties, Assets or rights of Parent or Sub (other than the rights of the Shareholders to receive Parent Common Stock pursuant to this Agreement);
- (d) violate or conflict with any Legal Requirements applicable to Parent or Sub or any of their respective businesses or properties; or
- (e) except as set forth in **Schedule 4.3** hereto, and except with respect to authorizations from the FCC and applicable state public utility commissions, require any authorization, consent, order, permit or approval of, or notice to, or filing, registration or qualifications with, any Governmental Authority, as same may apply to Parent or Sub.

Except as referred to above, no permit or approval of, or notice to any Governmental Authority is necessary to be obtained or made by Parent or Sub to enable Parent or Sub to continue to conduct their respective businesses and operations and use their respective properties after the Closing in a manner which is in all material respects consistent with that in which they are presently conducted and used.

4.4 Brokers.

Except as disclosed, neither Parent, Sub nor any of their directors, officers or employees has employed any broker or finder or has incurred or will incur any broker's, finder's or similar fees, commissions or expenses, in each case in connection with the transactions contemplated by this Agreement.

4.5 Capitalization.

(a) **Schedule 4.5** to be prepared and delivered by Parent within three (3) Business Days of the date hereof represents the capital structure of Parent as of the date indicated thereon.

(b) The shares listed in subsection (a) of this Section 4.5 constitute all the issued and outstanding shares of capital stock of the Parent, on a fully diluted basis, as of the date specified and have been validly authorized and issued, and are fully paid and non-assessable.

(c) The shares listed in subsection (a) of this Section 4.5 have not been issued in violation of any pre-emptive rights or of any federal or state securities law. Except as disclosed on **Schedule 4.5**, there is no security, option, warrant, right, call, subscription, agreement, commitment or understanding of any nature whatsoever, fixed or contingent, that directly or indirectly: (i) calls for issuance, sale, pledge or other disposition, or the acquisition by Parent or any of its Subsidiaries, of any shares of capital stock of Parent or Sub or any securities convertible into, or other rights to acquire, any shares of capital stock of Parent or Sub; (ii) obligates Parent or Sub to grant, offer or enter into any of the foregoing; or (iii) relates to the voting or control of such capital stock, securities or rights, except as provided in this Agreement. Except as disclosed on **Schedule 4.5** hereto, neither Parent nor Sub has agreed to register any securities under the Securities Act.

4.6 Parent and Sub Financial Statements.

Attached as **Schedule 4.6** are true and complete copies of the audited consolidated balance sheets of the Parent as of, December 31, 1998 and December 31, 1999, and the related audited consolidated statements of income, shareholders' equity and cash flow for the fiscal years then ended, together with the report thereon issued by Ernst & Young, L.L.P. and together with the notes thereto (the "*Parent Audited Financial Statements*"). Also attached as **Schedule 4.6** are the unaudited consolidated financial statements, including balance sheet, statement of income, shareholder's equity and statement of cash flow, for and as of June 30, 2000 (the "*Parent Unaudited Statements*" and together with the Parent Audited Financial Statements referred to herein collectively as the "*Parent Financial Statements*"). The Parent Financial Statements are in accordance with books and records of the Parent, fairly present in all material respects the financial position, results of operations, shareholders' equity and changes in the financial position of the Parent as of the dates and for the periods indicated, in accordance with GAAP, except that the Parent Unaudited Statements may not be in conformance with GAAP due to the absence of footnotes and customary year-end adjustments which would not be individually or in the aggregate material. The Parent Audited Financial Statements include all adjustments, which consist of only normal recurring accruals, necessary for such fair presentations.

4.7 Tax-Free Reorganization.

(a) If Company elects to adopt a plan of reorganization in conjunction with the transactions contemplated hereby and such plan does not constitute a materially adverse modification of Buyer's rights or obligations hereunder, then neither Parent nor Sub will take any position on any Federal, state or local income or franchise tax return, or to take any other tax reporting position, that is inconsistent with the treatment of the transactions contemplated as a "*reorganization*" within the meaning of Section 368 of the Code, unless otherwise required by a "*determination*" (as defined in Section 1313(a)(1) of the Code) or by applicable state or local tax law (and then only to the extent required by such applicable state or local tax law).

(b) Intentionally Left Blank.

(c) Intentionally Left Blank.

(d) Intentionally Left Blank.

(e) Intentionally Left Blank.

(f) Parent and Sub will each pay their respective expenses, if any, incurred in connection with the transactions contemplated hereby.

(g) Intentionally Left Blank.

(h) Prior to the Closing Parent will be in control of Sub within the meaning of Section 368(c) of the Code.

(i) Parent does not own, nor has it owned during the past five years, any shares of stock or securities issued by Company.

4.8 Tax Returns.

All material Tax Returns required to be filed by or on behalf of Parent or its Subsidiaries have been properly prepared and duly and timely filed with the appropriate taxing authorities in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings), and all such Tax Returns were true, complete and correct in all material respects, and all Taxes required to be paid by or on behalf of Parent or its Subsidiaries or in respect of Parent or its Subsidiaries' income, Assets or operations have been fully and timely paid.

4.9 Litigation.

There are no actions, proceedings or investigations pending against the Parent or Sub or their respective properties or shareholders that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

4.10 Disclosure.

Neither Parent nor Sub has made any material misrepresentations to the Company or the Shareholders and neither Parent nor Sub has omitted to state to the Company or the Shareholders any

material fact relating to Parent or Sub which is necessary in order to make the information given by Parent or Sub not misleading or which if disclosed would reasonably affect the decision of Company or Shareholders to consummate the transactions contemplated hereby.

4.11 Property.

As of the Closing Date, Parent and its Subsidiaries have or will have good, valid and marketable title to, and have or will have a valid and binding leasehold interest in, their respective properties and Assets that are necessary in all material respects for the conduct of their businesses as it is currently conducted.

4.12 Transactions With Insiders.

Except for employment relationships in the ordinary course of business, as of the date of this Agreement, there are no material agreements in existence between Parent or Sub, on the one hand, and any Insider, on the other hand.

4.13 Territorial Restrictions.

Parent is not restricted by any written agreement or understanding with any Person from carrying on its business with any Person anywhere in the world.

4.14 Intellectual Property.

Parent owns or has the right to use pursuant to license, sublicense, agreement or permission all Intellectual Property that is materially necessary for the conduct of Parent's business as presently conducted.

4.15 Compliance With Laws.

Parent holds, and is in compliance with, all Permits, Licenses and Governmental Approvals required by all applicable Legal Requirements for the lawful conduct of its businesses as presently conducted.

4.16 Insurance.

All policies of fire, liability, workmen's compensation and other forms of insurance owned or held by Parent or any of its Subsidiaries are in such amounts and cover such risks customarily insured against by businesses of the type operated by Parent or any of its Subsidiaries. All policies of fire, liability, workmen's compensation and other forms of insurance owned or held by Parent or any of its Subsidiaries, are in full force and effect, all premiums due with respect thereto covering all periods up to and including the Closing will have been paid, and no notice of cancellation or termination has been received with respect to any such policy.

4.17 Labor Relations.

There has not occurred, nor is there pending any unfair labor practice charge or complaint pending before the National Labor Relations Board ("*NLRB*"); any labor strike or dispute, union activity, material slowdown or material work stoppage or lockout actually pending or to the knowledge of the Parent threatened, against or affecting Parent or any of its Subsidiaries.

4.18 Employee Benefit Plans.

Neither Parent nor any of its Subsidiaries maintains or has ever maintained an "*employee benefit plan*" (as defined in Section 3(3) of ERISA) which is or was (i) a plan subject to Title IV of ERISA or (ii) a "*multiemployer plan*" (as defined in Section 3(37) of ERISA). Each employee benefit plan of Parent or any of its Subsidiaries which is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period from its adoption to date, and, to the knowledge of Parent, no event has occurred since such adoption that would adversely affect such qualification and each trust created in connection with each such Employee Benefit Plan or forming a part thereof is exempt from tax pursuant to Section 501(a) of the Code. Parent or one of its Subsidiaries has received from the Internal Revenue Service a favorable determination letter on each such Employee Benefit Plan; no such determination letter has been revoked; and all plan amendments required as a condition to the issuance of any such letter have been adopted in a timely manner. Each Employee Benefit Plan has been maintained and administered in material compliance with its terms and with the requirements prescribed by any and all applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code. Neither Parent nor any of its Subsidiaries has any current or projected liability in respect of post-retirement or post-employment welfare benefits for retired, current or former employees except to the extent otherwise required by the health care continuation coverage requirement of COBRA as set forth in Section 4980B(f) of the Code and Section 601 through 608 of ERISA. No health, medical, death or survivor benefits have been provided under any Benefit Arrangement to any person who is not an employee or former employee of Parent or a dependent thereof. There is no obligation, administrative or arbitration proceeding or other dispute pending or, to Parent's knowledge, threatened that involves any Employee Benefit Plan or Benefit Arrangement which could reasonably be expected to result in any material liability to Parent or its Subsidiaries, any employees or directors of Parent or its Subsidiaries, or any fiduciary (as defined in ERISA Section 3(21)) of such Employee Benefit Plan or Benefit Arrangement. No Employee Benefit Plan that is an employee welfare benefit plan, as defined in Section 3(1) of ERISA, is funded through a "*welfare benefit fund*" (within the meaning of Section 419(e) of the Code) and no benefits under the Employee Benefit Plan are provided through a voluntary employees' beneficiary association (within the meaning of Section 501(c)(9) of the Code) or a supplemental unemployment benefit plan (within the meaning of Section 501(c)(17) of the Code).

ARTICLE 5 COVENANTS AND ADDITIONAL AGREEMENTS

5.1 Access; Confidentiality.

(a) Between the date hereof and the Closing Date, the Company will: (i) provide to the officers and other authorized representatives of Parent and Sub full access, during normal business hours, to any and all premises, properties, files, books, records, documents and other information of the Company, and will cause the Company's officers to furnish to Parent and its authorized representatives any and all financial, technical and operating data with other information pertaining to the businesses and properties of the Company (including the Owned Real Property or the Leased Real Property and the Improvements); and (ii) make available for inspection and copying by Parent and Sub true and complete copies of any documents relating to the foregoing. Parent and Sub will hold, and will cause their representatives to hold, in confidence (unless and to the extent compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law) all Confidential Information (as defined below) and will not disclose the same to any third party except in connection with obtaining financing and otherwise as may reasonably be necessary to carry out or enforce this Agreement and the transactions contemplated hereby, including any due diligence review by or on behalf of Parent and Sub. If this Agreement is terminated, Parent and Sub will, and will cause their representatives to, promptly return to the Company, upon the reasonable request of the Company, all Confidential Information furnished by the Company, including all copies and summaries thereof.

5.2 Furnishing Information; Announcements.

Each Shareholder individually, and not jointly and severally, and the Company, on the one hand, and Parent and Sub, on the other hand, will, as soon as practical after reasonable request therefor, furnish to the other all information concerning such Shareholder and the Company or Parent and Sub, respectively, required for inclusion in any statement or application made by Parent or Sub or the Company or the Shareholders to any governmental or regulatory body or to any manufacturer or distributor or in connection with obtaining any third party consent in connection with the transactions contemplated by this Agreement. Neither the Shareholders nor the Company, on the one hand, nor Parent or Sub, on the other hand, nor any representative thereof, shall issue any press release or otherwise make any public statement with respect to the transactions contemplated hereby without the prior consent of the other (which shall not be unreasonably withheld) except as may be required by law. The timing and initial drafts of any such press releases or statements shall be within the sole discretion of Parent.

5.3 Certain Changes and Conduct of Business.

(a) Except as set forth on **Schedule 5.3(a)**, from and after the date of this Agreement and until the Closing Date, the Company shall conduct its businesses solely in the ordinary course consistent with past practices and, without the prior consent of Parent, the Company shall not, except as required or permitted pursuant to the terms hereof:

(i) make any material change in the conduct of its businesses and operations or enter into any transaction other than in the ordinary course of business consistent with past practices;

(ii) make any change in its Articles or Bylaws, issue any additional shares of capital stock or equity securities or grant any option, warrant or right to acquire any capital stock or equity securities or issue any security convertible into or exchangeable for its capital stock or alter any material term of any of its outstanding securities or make any change in its outstanding shares of capital stock or other ownership interests or its capitalization, whether by reason of a reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, stock dividend or otherwise;

(iii) (A) except for indebtedness to be incurred pursuant to the Line of Credit, incur, assume or guarantee any indebtedness for borrowed money, issue any notes, bonds, debentures or other corporate securities or grant any option, warrant or right to purchase any thereof, except pursuant to transactions in the ordinary course of business consistent with past practices; (B) issue any securities convertible into or exchangeable for debt securities of the Company; or (C) issue any options or other rights to acquire from the Company, directly or indirectly, debt securities of the Company or any security convertible into or exchangeable for such debt securities;

(iv) make any sale, assignment, transfer, abandonment or other conveyance of any of its Assets or any part thereof, except transactions pursuant to existing Company Agreements and dispositions in the ordinary course of business consistent with past practices;

(v) subject any of its Assets, or any part thereof, to any Liens (other than Permitted Liens) or suffer such to be imposed other than such liens as may arise in are ordinary course of business consistent with past practices;

(vi) declare, set aside or pay any dividends or other distribution (whether in cash, stock, property or any combinations thereof) in respect of any shares of its capital stock or redeem, retire, purchase or otherwise acquire, directly or indirectly, any shares of capital stock of the Company;

(vii) acquire any Assets, raw materials or properties, or enter into any other transaction, other than in the ordinary course of business, consistent with past practices;

(viii) enter into any new (or amend any existing) employee benefit plan, program or arrangement or any new (or amend any existing) employment severance or consulting agreement, grant any general increase in the compensation of officers or employees (including any such increase pursuant to any bonus, pension, profit-sharing or other plan or commitment) or grant any increase in compensation payable or to become payable to any employee, except in accordance with pre-existing contractual provisions or consistent with past practices;

(ix) make or commit to make any individual expenditure in excess of \$10,000, except in the ordinary course of business when approved by Buyer;

(x) pay, loan or advance any amount to, or sell, transfer or lease any properties or Assets to, or enter into any agreement or arrangement with, any of its Affiliates, except in the ordinary course of business;

(xi) guarantee any indebtedness for borrowed money or any other obligation of any other Person, other than in the ordinary course of business consistent with past practice;

(xii) fail to keep in full force and effect insurance comparable in amount and scope to coverage maintained by it (or on behalf of it) on the date hereof;

(xiii) make any loan, advance or capital contribution to investment in any Person, except in the ordinary course of business;

(xiv) make any change in any method of accounting or Accounting Principle, method, estimate or practice except for any such change required by reason of a concurrent change in GAAP or write-down the value of any inventory or write-off as uncollectible any accounts receivable except in the ordinary course of business consistent with past practices;

- (xv) settle, release or forgive any material claim or litigation or waive any material right;
 - (xvi) make, enter into, modify, amend in any material respect or terminate any material commitment, bid or expenditure, other than in the ordinary course of business consistent with past practice; or
 - (xvii) commit itself to do any of the foregoing.
- (b) Except as set forth on **Schedule 5.3(b)**, from and after the date hereof and until the Closing Date, the Company shall:
- (i) continue to maintain, in all material respects, the Company's properties and Assets and properties and Assets of its Subsidiaries, all Owned Real Property and Leased Real Property and all Improvements in accordance with present practices in a condition suitable for their current use;
 - (ii) comply with all applicable Environmental Laws, and, in the event it shall receive notice that there exists a violation of any Environmental Law with respect to its operations, any Improvements or any Owned Real Property or Leased Real Property, use commercially reasonable efforts to promptly (and in any event within the time period permitted by the applicable governmental authority) remove or remedy such violation in accordance with all applicable Environmental Laws;
 - (iii) file, when due or required, or extend as reasonably necessary, federal, state, foreign and other tax returns and other reports required to be filed and pay when due all Taxes, assessments, fees and other charges lawfully levied or assessed against it unless the validity thereof is contested in good faith and by appropriate proceedings diligently conducted;
 - (iv) keep its books of account, records and files in the ordinary course and in accordance with existing practices;
 - (v) preserve its business organization intact and use its reasonable commercial efforts to continue to maintain existing business relationships with suppliers, customers, employees and others with whom business relationships exists other than relationships that are, at the time, not economically beneficial to Company or Parent; and
 - (vi) continue to conduct its business in the ordinary course consistent with past practices.

5.4 No Intercompany Payables or Receivables.

Except as disclosed on the Company Disclosure Schedule, at the Closing there will be no intercompany payables or intercompany receivables due and/or owing between the Shareholders and any of their Affiliates, on the one hand, and the Company or any of its Subsidiaries, on the other hand.

5.5 No Negotiations.

Until the termination of this Agreement pursuant to **Section 8.1** hereof, no Shareholder, nor the Company, nor the Company's officers, directors, employees, advisors, agents, representatives, Affiliates or anyone acting on behalf of the Shareholders, the Company or such persons, shall,

directly or indirectly, encourage, solicit, initiate or engage in discussions or negotiations with, or provide any information to, any Person (other than Parent or its representatives) concerning any merger, sale of Assets (other than in the ordinary course of business), purchase or sale of shares of capital stock or similar transaction involving the Company. The Shareholders or the Company, as the case may be, shall promptly communicate to Parent any inquiries or communications concerning any such transaction (including the identity of any Person making such inquiry or communication) which the Shareholders or the Company may receive or of which the Shareholders or the Company may become aware.

5.6 Consents; Cooperation.

Subject to the terms and conditions hereof, the Company and Parent and Sub will use their respective best efforts at their own expense (unless otherwise set forth herein):

(a) to take all actions and do all things necessary, proper or advisable, and to cooperate with each other, to expeditiously consummate the transactions contemplated hereby;

(b) to obtain prior to the earlier of the date required (if so required) or the Closing, all Government Approvals and consents from Bellsouth, and make all filings and registrations with Governmental Authorities and with Bellsouth which are required on their respective parts for: (i) the consummation of the transactions contemplated by this Agreement; (ii) the ownership or leasing and operating after the Closing by the Sub of all of Company's material properties and Assets; and (iii) the conduct after the Closing by the Sub of substantially all of Company's businesses as conducted by Company on the date hereof;

(c) to defend, consistent with applicable principles and requirements of law, any lawsuit or other legal proceedings, whether judicial or administrative, whether brought derivatively or on behalf of third persons (including Governmental Authorities) challenging this Agreement or the transactions contemplated hereby;

(d) to furnish each other such information and assistance as may reasonably be requested in connection with the foregoing; and

(e) exert good faith best efforts to obtain board of directors, creditor, shareholder, and other approvals from whom consent must be obtained for the consummation of the transactions described herein.

5.7 Additional Agreements.

Subject to the terms and conditions of this Agreement, each of the Parties hereto agrees to use its best efforts at its own expense to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Legal Requirements to consummate and make effective the transactions contemplated by this Agreement. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers of the parties shall take all such necessary action.

5.8 Notification of Certain Matters.

Between the date hereof and the Closing, each Party to this Agreement will give prompt notice in writing to the other Party hereto of: (i) any information that indicates that any representation and warranty of such Party contained herein was not true and correct as of the date made, or will not be

true and correct as of the Closing; (ii) the occurrence of any event which could result in the failure to satisfy a condition specified in Article 6 or Article 7 hereof, as applicable; (iii) any notice or other communication from any third Person alleging that the consent of such third Person is or may be required in connection with the transactions contemplated by this Agreement; and (iv) any notice of, or other communication relating to, any default or event which, with notice or lapse of time or both, would become a default under any material Company Agreement, in the case of the Company, or any material Parent Agreement or material Sub Agreement, in the case of Parent or Sub.

5.9 Telecommunications Regulatory Approvals.

Parent shall be responsible for preparing, filing and prosecuting the appropriate applications, notifications and other documentation necessary or appropriate to request from Governmental Authorities with jurisdiction over the telecommunications industry all necessary authorizations, consents and approvals for the transactions contemplated hereby. The Company and its Subsidiaries will cooperate with Parent in this regard, providing such assistance as Parent shall reasonably request. Each party hereto shall be responsible for payment of its own costs and expenses in connection with such preparation, filing and prosecution. Parent and the Company each will pay one half of any filing or other fee levied by any such Governmental Authority in connection with any filings made pursuant to this **Section 5.9**.

5.10 Intentionally Left Blank.

5.11 Release by Shareholders and Company.

The Company and each Shareholder individually and not jointly and severally hereby agrees to execute and deliver at the Closing a Release Agreement (each, a "*Release Agreement*"), in a form attached hereto as **Exhibit 5.11** and by this reference incorporated herein and Company shall further execute and deliver the Releases described in Section 6.11(c) hereof.

5.12 Employment . Parent shall offer to the individuals listed on **Exhibit 5.12** attached hereto the opportunity to continue employment with the Company following the Closing .

5.13 Management Agreement. At Parent's request, the Company and Parent shall execute and deliver the Management Agreement substantially in the form attached as **Exhibit 5.13** under which Parent shall manage Company until the Closing.

5.14 Parent Common Stock . Notwithstanding anything to the contrary herein, or in any other document executed in connection with the consummation of the transactions contemplated hereby, no Parent Common Stock shall be distributed, transferred, or assigned by Company to any person, party, entity, creditor of Company, or holder of shares of outstanding capital stock of Company or holder of any rights, options, or warrants to acquire capital stock of Company (each a "Transferee") who or which is not, within the sole discretion of legal counsel to Parent, an Accredited Investor within the meaning of Rule 501 promulgated under the Securities Act of 1933, as amended or an

Institutional Investor within the meaning of Rule 144(a) promulgated under said Act or who or which has not executed and delivered such certificates or affidavits, or other documents as legal counsel for Parent may in its discretion require in connection with such investor qualifications. Company agrees that prior to distribution of any Parent Common Stock to any potential Transferee, (as defined above), Company shall redeem the rights of any such Transferee who is not, within the sole discretion of legal counsel to Parent, an Accredited Investor or an Institutional Investor (as defined above) and that any plan of liquidation or reorganization adopted by Company shall make provision for such rights of redemption in a manner consistent herewith.

ARTICLE 6 CONDITIONS TO THE OBLIGATIONS OF PARENT AND SUB TO EFFECT THE CLOSING

The obligations of Parent and Sub required to be performed by them at the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions, each of which is for the sole benefit of Parent and Sub and each of which may be waived in whole or in part solely by Parent or Sub in writing as provided herein except as otherwise required by applicable law:

6.1 Representations and Warranties; Covenants.

Each of the representations and warranties of the Company and the Shareholders contained in this Agreement shall be true and correct in all material respects on the date made and shall be true and correct in all material respects as of the Closing. Each of the obligations of the Company and the Shareholders required by any of the covenants or agreements contained in this Agreement to be performed by them at or prior to the Closing shall have been duly performed and complied with in all material respects as of the Closing. At the Closing, Parent and Sub shall have received a certificate, dated the Closing Date and duly executed by the Company, to the effect that the respective conditions applicable to them set forth in the three preceding sentences have been satisfied.

6.2 Authorization; Consent.

(a) All notices to, and declarations, filings and registrations with Governmental Authorities, and all Government Approvals and all third person Consents (including, without limitation, Bellsouth, lenders, and shareholders of Parent and its Affiliates if necessary) required for the Company to consummate the transactions contemplated hereby and necessary for the Sub to continue the business operations of the Company shall have been made or obtained.

(b) The consent of the secured lenders, creditors, shareholders, and boards of directors of Parent and Sub shall have been made or obtained and not otherwise revoked as of Closing (if previously obtained).

6.3 Opinions of the Company's Counsel.

Parent and Sub shall have been furnished with the opinion of the Company's counsel, dated the Closing Date, in form and substance reasonably acceptable to Counsel for Parent addressing the matters set forth on **Exhibit 6.3(a)** attached hereto and incorporated herein. In addition, Parent and

Sub shall have received from counsel to the Company and its Subsidiaries an opinion concerning regulatory matters in form and substance reasonably acceptable to Counsel for Parent addressing the matters set forth on **Exhibit 6.3(b)** attached hereto and incorporated herein.

6.4 Absence of Litigation.

No order, stay, injunction or decree of any court of competent jurisdiction in the United States shall be in effect: (a) that prevents or delays the consummation of any of the transactions contemplated hereby; or (b) would impose any limitation on the ability of Parent or Sub effectively to exercise all rights of ownership of the Assets. No action, suit or proceeding before any court or any governmental or regulatory entity shall be pending (or threatened by any governmental or regulatory entity), and no investigation by any governmental or regulatory entity shall have been commenced (and be pending), seeking to restrain or prohibit (or questioning the validity or legality of) the consummation of the transactions contemplated by this Agreement or the Transaction Documents or seeking damages in connection therewith which Parent or Sub, in good faith and with the advice of counsel, believes makes it undesirable to proceed with the consummation of the transactions contemplated hereby.

6.5 No Material Adverse Effect.

During the period from the date of the 1999 Balance Sheet to the Closing Date, there shall not have been any Company Material Adverse Effect.

6.6 Legal Matters.

All certificates, instruments, opinions and other documents required to be executed or delivered by or on behalf of the Shareholders and the Company under the provisions of this Agreement, and all other actions and proceedings required to be taken by or on behalf of the Shareholders and the Company in furtherance of the transactions contemplated hereby, shall be reasonably satisfactory in form and substance to counsel for Parent and Sub.

6.7 Intentionally Left Blank.

6.8 Intentionally Left Blank.

6.9 Confidentiality Agreements.

Each employee of Company offered employment by Buyer shall have executed Confidentiality Agreements substantially in the form attached as **Exhibit 6.9(a)**.

6.10 Intentionally Left Blank.

6.11 Restricted Stock Agreement / Releases.

(a) Company shall have executed and delivered in favor of Parent a Release Agreement substantially similar to that described in Section 5.11, and a Restricted Stock Agreement (the "*Restricted Stock Agreement*") substantially in the form of **Exhibit 6.11** providing among other things that Company joins and covenants to be bound by the terms of that certain Stockholders Agreement dated as of June 30, 1999 as amended and executed by the stockholders of Parent, and that Company is an Accredited Investor or Institutional Investor; or the Parent shall have otherwise determined, in its discretion, that the requirements of this Section 6.11(a) have been satisfied.

(b) Parent shall have determined, in its discretion, that the issuance of the Parent Common Stock pursuant to the terms hereof and the transactions contemplated hereby shall be in full compliance with State and Federal Securities laws.

(c) Company shall have executed and delivered in favor of each Company employee being employed by Parent or Sub, a Release Agreement substantially similar to that described in Section 5.11 and each such employee shall have similarly executed and delivered in favor of Company, Parent, and Sub, a similar Release.

6.12 Good Standing Certificate. The Company shall have provided to Parent an original certificate of good standing for the Company.

6.13 Intentionally Left Blank.

6.14 Lucent Financing. Buyer shall have consummated with Lucent or its affiliates on terms acceptable to Parent in its sole discretion an additional financing credit facility in favor of Parent in the approximate amount of \$50,000,000.00.

ARTICLE 7 CONDITIONS TO THE OBLIGATIONS OF THE SHAREHOLDERS AND THE COMPANY TO EFFECT THE CLOSING

The obligations of the Shareholders and the Company required to be performed by them at the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions, each of which is for the sole benefit of such Shareholders and Company and each of which may be waived in whole or in part solely by the Company or the Shareholders in writing as provided herein except as otherwise required by applicable law:

7.1 Representations and Warranties; Covenants.

Each of the representations and warranties of Parent and Sub contained in this Agreement shall be true and correct in all material respects on the date made and shall be true and correct in all material respects as of the Closing. Each of the obligations of Parent and Sub required by this Agreement to be performed by them at or prior to the Closing shall have been duly performed and complied with in all material respects as of the Closing. At the Closing, the Company shall have received a certificate, dated the Closing Date and duly executed by an officer of Parent and of Sub to the effect that the conditions set forth in the preceding two sentences have been satisfied.

7.2 Authorization of the Agreement; Consents.

All notices to, and declarations, filings and registrations with Governmental Authorities, and all Government Approvals and all third person Consents required to consummate the transactions contemplated hereby and all other Consents shall have been made or obtained.

7.3 Opinions of Parent's and Sub's Counsel.

The Company shall have been furnished with the opinion of legal counsel to Parent and Sub, dated the Closing Date, in form and substance reasonably acceptable to Counsel for Company addressing the matters set forth on **Exhibit 7.3** attached hereto and incorporated herein.

7.4 Absence of Litigation.

No action, suit or proceeding before any court or any governmental or regulatory entity shall be pending (or threatened by any governmental or regulatory entity), and no investigation by any governmental or regulatory entity shall have been commenced (and be pending), seeking to restrain or prohibit (or questioning the validity or legality of) the consummation of the transactions contemplated by this Agreement or the Transaction Documents or seeking damages in connection therewith which the Company, in good faith and with the advice of counsel, believes makes it materially undesirable to proceed with the consummation of the transactions contemplated hereby.

7.5 No Material Adverse Effect.

During the period from the date of Parent's Unaudited Financial Statements to the Closing Date, there shall not have been any Parent Material Adverse Effect.

ARTICLE 8 TERMINATION

8.1 Termination.

This Agreement may be terminated at any time prior to Closing:

- (a) by written mutual consent of Parent, Sub and the Company;
- (b) by either Parent, Sub or the Company by written notice if the Closing shall not have taken place on or prior to ninety (90) Business Days following satisfaction or waiver of the conditions set forth in Articles 6 & 7 hereof (the "*Closing Date Deadline*"), or such other date as shall have been approved by Parent, Sub and the Company in writing (provided that the terminating Party is not otherwise in material breach of its representation, warranties, covenants or agreements under this Agreement);
- (c) by Parent, Sub or the Company if any court of competent jurisdiction in United States or other United States governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and any such order, decree, ruling or other action shall have become final and non-appealable;

(d) by Parent or Sub if any of the conditions specified in Article 6 hereof have not been met or waived by Parent or Sub at such time as such condition is no longer capable of satisfaction (provided that neither Parent nor Sub is otherwise in material breach of its representations, warranties, covenants or agreements under this Agreement);

(e) by the Company if any of the conditions specified in Article 7 hereof have not been met or waived by the Company at such time as such condition is no longer capable of satisfaction (provided that neither the Shareholders nor the Company is otherwise in material breach of his or its representations, warranties, covenants or agreements under this Agreement); or

(f) by either Parent, Sub or the Company if there has been a material breach on the part of the Company or the Shareholders on the one hand, or Parent or Sub, on the other hand, of any representation, warranty, covenant or agreement set forth in this Agreement, which breach has not been cured within twenty (20) Business Days following receipt by the breaching Party of written notice of such breach.

(g) by Parent and Sub at any time and for any reason upon written notice to Company provided such notice is given no later than September 30, 2000.

If Parent, Sub or the Company shall terminate this Agreement pursuant to the provisions hereof, such termination shall be effectuated by written notice to the other parties specifying the provision hereof pursuant to which such termination is made.

8.2 Effect of Termination.

(a) **Liability.** If any Party terminates this Agreement pursuant to Section 8.1 above, this Agreement shall forthwith become null and void, and none of the Parties hereto or any of their respective officers, directors, employees, agents, affiliates, consultants, shareholders or principals shall have any liability or obligation hereunder or with respect hereto, except for any liability arising out of a breach of this Agreement prior to its termination or arising out of the Transaction Documents previously executed by the Parties.

(b) **Non Solicitation Agreements.** Company and Parent have previously executed Non-Disclosure Agreements dated July 6, 2000 which agreements shall remain in force notwithstanding any termination, provided, however, that if Company fails to consummate the transactions described herein for any reason other than (i) Parent's material breach of the terms hereof; or (ii) termination by Parent or Sub as described in Section 8.1(g) above, then in such event, any and all provisions in said Non Disclosure Agreements or otherwise herein prohibiting Parent from soliciting or hiring the employees of Company shall be void and unenforceable against Parent.

(c) **Conditional Fee.** If this agreement is terminated for any reason other than (i) Parent's material breach of the terms hereof; or (ii) termination by Parent or Sub as described in Section 8.1(g) above, and if, within six (6) months of the date of said termination, Company enters into a letter of intent or other agreement of any kind with any third party pertaining to the acquisition by said third party of all or substantially all of the Assets or capital stock of Company, then in such event, Company shall be obligated to immediately pay to Parent the sum of \$5,000,000.00 but such payment shall not relieve Company or Shareholders of any of their liabilities or obligations hereunder nor shall such payment prohibit Parent or Sub from seeking any other remedies or asserting any other claims for damages which may be otherwise available to Parent or Sub either at law or in equity.

ARTICLE 9
SURVIVAL OF REPRESENTATIONS AND
WARRANTIES; INDEMNIFICATION

9.1 Company and Shareholder Indemnification.

Subject to Section 9.3 hereof, Company and Smock (jointly and severally) and each other Shareholder (severally but not jointly with the other Shareholders or with Company), agrees to indemnify and hold Buyer harmless (but only to the extent not otherwise indemnified by applicable insurance or other means) from and against: (i) all liability, loss, damage, or injury and all reasonable costs and expenses (including reasonable counsel fees and costs of any suit related thereto) suffered or incurred by Buyer from any breach of any covenant, representation or warranty of the Company or the Shareholders contained in this Agreement and (ii) any and all adjustments to the Gross Consideration as provided in Section 1.1(d) hereof. Any examination, inspection or audit of the properties, financial condition or other matters of the Company and its business conducted by Parent and Sub prior to the Closing under this Agreement shall in no way limit, affect or impair the ability of Buyer to receive indemnification provided for herein for breaches of the representations, warranties, covenants and obligations of the Company and the Shareholders set forth in this Agreement. Notwithstanding the foregoing, no individual Shareholder other than Smock shall have an indemnification obligation hereunder which exceeds, in the aggregate, the aggregate dollar value of the Adjusted Consideration distributed to such Shareholder, if any. Except in the case of fraud or intentional conduct as to which no limitations apply: (i) Smock's indemnification obligations hereunder shall not exceed in the aggregate the aggregate value of all consideration, compensation, bonuses, stock options or other benefits or incentives paid or allocated to Smock by Parent or Sub during the 15 month term beginning on the first day of the calendar month in which Closing occurs; and (ii) Smock shall have no indemnification obligation for claims not asserted within such 15 month term.

9.2 Parent Indemnification.

Subject to Section 9.3 hereof, after the Closing Parent agrees to indemnify and hold the Shareholders and Company harmless from and against all liability, loss, damages, or injury and all reasonable costs and expenses (including reasonable counsel fees and costs of any suit related thereto) suffered or incurred by the Shareholders or Company arising from any breach of any covenant, representation or warranty of Parent or Sub contained in this Agreement but Parent's liabilities hereunder shall not exceed in the aggregate, the aggregate dollar amount of the Adjusted Consideration.

9.3 Payment of Claims.

The parties hereto agree that Buyer shall first seek payment for claims pursuant to this Agreement from the Escrow Shares held pursuant to Section 1.3 before seeking payment directly from the Company, Smock, or the other Shareholders.

ARTICLE 10 MISCELLANEOUS

10.1 Fees and Expenses.

Except as otherwise expressly provided in this Agreement, all legal and other fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby through the Closing Date shall be paid by the Party incurring such fees, costs or expenses.

10.2 Company Representative.

Each Shareholder and Company has designated and appointed Jeffrey D. Smock (the "*Company Representative*") as the representative of Company and such Shareholder to perform all such acts as are required, authorized or contemplated by this Agreement or the Escrow Agreement to be performed by the Company Representative. Each Shareholder and Company further acknowledges that the foregoing appointment and designation shall be deemed to be coupled with an interest and shall survive the death or legal incapacity of such Shareholder or the Company. The other Parties are and will be entitled to give notices only to the Company Representative for any notice contemplated by this Agreement to be given to Company or any such Shareholder. The Company Representative may be changed by notice in writing to Parent by Company.

10.3 Headings.

The section headings herein are for convenience of reference only, do not constitute part of this Agreement, and shall not be deemed to limit or otherwise affect any of the provisions hereof.

10.4 Notices.

All notices or other communications required or permitted hereunder shall be given in writing and shall be deemed sufficient if delivered by hand, recognized overnight delivery service or facsimile transmission (provided that any facsimile transmission is also sent to the recipient on the same day by overnight delivery service) or mailed by registered or certified mail, postage prepaid and return receipt requested, as follows:

If to the Company or the Shareholders before the Closing Date, or the Shareholders after the Closing Date:

LightNetworks, Inc.
Attn.: Jeffrey D. Smock
2700 Northeast Expressway, Suite B450/900
Atlanta, GA 30345
Phone:
Fax:

with a copy to:

Stephen L. Camp
Miller & Martin
1275 Peachtree St., NE, 7th Floor
Atlanta, GA 30309-3576
Phone: (404) 962-6414
Fax: (404) 962-6300

If to Parent or Sub:

NT Corporation
Attn.: Ray Russenberger
815 South Palafox Place
Pensacola, FL 32501
Fax: (850) 470-9641
Phone (850) 469-9904

with a copy to:

Lozier, Thames & Frazier, P.A.
Attn.: Daniel R. Lozier
125 West Romana Street
Pensacola, FL 32501
Fax: (850) 469-0006
Phone: (850) 469-0202

or such other address as shall be furnished in writing by such Party, and any such notice or communication shall be effective and be deemed to have been given as of the date so delivered or four (4) days after the date so mailed; *provided, however*, that any notice or communication changing any of the addresses set forth above shall be effective and deemed given only upon its receipt.

10.5 Assignment.

This Agreement and all of the provisions hereof shall be binding upon and inure the benefit of the Parties hereto (and with respect to the Shareholders, the personal representatives and heirs of the Shareholders) and their respective successors and permitted assigns; *provided, however*, that neither this Agreement nor any of the rights, interests, or obligations hereunder may be assigned by Company or its Shareholders without the prior written consent of Parent. This Agreement may be assigned by Parent to any Affiliate or Associate of Parent.

10.6 Entire Agreement.

This Agreement (including the Schedules hereto) and the Transaction Documents embody the entire agreement and understanding of the Parties with respect to the transactions contemplated hereby and supersede all prior written or oral commitments, arrangements or understandings between the Parties with respect thereto and all prior drafts of this Agreement and the Transaction Documents. There are no restrictions, agreements, promises, warranties, covenants or undertakings with respect to the transactions contemplated hereby other than those expressly set forth herein or in the Transaction Documents.

10.7 Waiver and Amendments.

The Company, Parent and Sub may by written notice to the other Parties: (a) extend the time for the performance of any of the obligations or other actions of the other Parties; (b) waive any inaccuracies in the representations or warranties of the other Parties contained in this Agreement; (c) waive compliance with any of the covenants of the other Parties contained in this Agreement; (d) waive performance of any of the obligations of the other Parties created under this Agreement; or (e) waive fulfillment of any of the conditions to its own obligations under this Agreement. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach, whether or not similar. This Agreement may be amended, modified or supplemented only by a written instrument executed by the Parties hereto.

10.8 Counterparts.

This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

10.9 Governing Law.

Except as otherwise provided, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule that would cause the laws of any other jurisdiction to apply.

10.10 Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement shall have the respective meanings given to them in accordance with GAAP.

10.11 Schedules.

Disclosure of any matter in any Schedule hereto or in the Financial Statements shall be considered as disclosure pursuant to any other provision, sub provision, section or subsection of this Agreement or Schedule to this Agreement. The parties shall have the right and the obligation to supplement, amend, and update the Schedules referenced herein or in the Financial Statements through Closing and such Schedules, and the information provided therein shall be subject to the prior approval of the other parties hereto.

10.12 Severability.

If any one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected thereby. To the extent permitted by applicable law, each Party waives any provision of law which renders any provision of this Agreement invalid, illegal or unenforceable in any respect.

10.13 Time Is Of the Essence.

Time is of the essence for purposes of this Agreement.

10.14 Certain Definitions. Except as the context otherwise provides, the following definitions apply:

"Accredited Investor" has the meaning set forth in Regulation D promulgated under the Securities Act.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act.

"Affiliated Group" means any affiliated group within the meaning of Code §1504(a) or any similar group defined under a similar provision of state, local or foreign law.

"Associate" used to indicate a relationship with any Person means: (i) any corporation, partnership, joint venture or other entity of which such Person is an officer or partner or is, directly or indirectly, through one or more intermediaries, the beneficial owner of thirty percent (30%) or more of: (1) any class or type of equity securities or other profits interest; or (2) the combined voting power of interests ordinarily entitled to vote for management or otherwise; and (ii) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity.

"Audited Financial Statements" has the meaning set forth in Section 2.5 hereof.

"1999 Balance Sheet" has the meaning set forth in Section 2.5 hereof.

"Benefit Arrangement" shall mean any employment, severance or similar contract, or any other contract, plan, policy or arrangement (whether or not written) providing for compensation, bonus, profit-sharing, stock option or other stock related rights or other forms of incentive or deferred compensation, vacation benefits, insurance coverage (including without limitation self-insured arrangement), health or medical benefits, disability benefits, severance benefits and post-employment or retirement benefits (including without limitation compensation, pension, health, medical or life insurance benefits), other than the Employee Benefit Plans, that is maintained, administered or contributed to by the employer and covers any employee or former employee of the employer.

"Business Day" shall mean any day excluding Saturday, Sunday and any day which is a legal holiday under federal law.

"Claims" shall mean any and all claims, demands, complaints, suits, proceedings, actions or causes of action of any kind or character whatsoever fixed or contingent, direct or indirect, however arising, whether arising at law or in equity, or pursuant to administrative rule or regulation or otherwise.

"Closing" has the meaning set forth in §1.3 hereof.

"Closing Date" has the meaning set forth in §1.3 hereof.

"Closing Date Deadline" has the meaning set forth in Section 8.1(b) hereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the preface above.

"Company Agreement" has the meaning set forth in §2.15 hereof.

"Confidential Information" means all information concerning a given Party obtained by another Party in connection with the transactions contemplated by this Agreement, including, without limitation, ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, business and marketing plans and proposals, information relating to sales records, profit and performance reports, sales and training manuals, selling and pricing procedures, financing methods, the special demands of particular customers, the current and anticipated demands of particular customers, specifications of any new products or services under development, and any other such information treated by the Party providing the Confidential Information as being confidential or labeled "Confidential," as well as all physical embodiments of any of the foregoing, except information (i) ascertainable or obtained from public information; (ii) received from a third party not employed by or otherwise affiliated with the Party providing such Confidential Information; or (iii) which is or becomes known to the public other than through a breach by the receiving Party any of the receiving Party's representatives of this Agreement.

"Consent" means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including but not limited to any Governmental Authority.

"Employee Benefit Plan" means any plan or arrangement as defined in Section 3(3) of ERISA, that (a) is subject to any provision of ERISA, (b) is maintained, administered or contributed to by the employer and (c) covers any employee or former employee of the employer.

"Employment and Labor Agreement" has the meaning set forth in §2.16 hereof.

"Environmental, Health and Safety Requirements" shall mean all federal, state, local and foreign statutes, regulations, ordinances and other provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations and all common law concerning public health and safety, worker health and safety, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation, each as amended and as now or hereafter in effect.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Plans" means all Employee Pension Plans and Benefit Arrangements of the Company.

"Escrow Agreement" has the meaning set forth in Section 1.3(a) hereof.

"Escrow Shares" has the meaning set forth in Section 1.3(a) hereof.

"Fiduciary" has the meaning set forth in ERISA §3(21).

"Financial Statements" has the meaning set forth in §2.5 hereof.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative function of or pertaining to government, including without limitation, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States or any political subdivision thereof, and any tribunal or arbitrator of competent jurisdiction and any self-regulatory organization.

"Governmental Approval" means any Consent of, with or to any Governmental Authority.

"Hazardous Materials" means, collectively: (i) those substances included within the definitions of or identified as "hazardous chemicals," "hazardous waste," "hazardous substances," "hazardous materials," "toxic substances" or similar terms in or pursuant to, without limitation: the Comprehensive Environmental Response Compensation and Liability Act of 1980 (42 U.S.C. §9601 *et seq.* ("*CERCLA*"), as amended by Superfund Amendments and Reauthorization Act of 1986 (Pub. L. 99-499, 100 Stat., 1613); the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §6901 *et seq.*) ("*RCRA*"); the Occupational Safety and Health Act of 1970 (29 U.S.C. §651 *et seq.*) ("*OSHA*"); and the Hazardous Materials Transportation Act (49 U.S.C. §1801 *et seq.*) ("*HWA*"), and in the regulations promulgated pursuant to such laws, all as amended; (ii) those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto); (iii) any material, waste or substance which is or contains: (A) petroleum, including crude oil or any fraction thereof, natural gas or synthetic gas usable for fuel or any mixture thereof; (B) asbestos; (C) polychlorinated biphenyls; (D) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. §1251 *et seq.* (33 U.S.C. §1317) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. §1317); (E) flammable explosives; (F) radioactive materials; and (iv) such other substances, materials and wastes which are or become regulated or classified as hazardous, toxic or as "special wastes" under any Environmental, Health and Safety Requirements.

"ILEC" means Incumbent Local Exchange Carrier.

"Improvements" has the meaning set forth in §2.10(a) hereof.

"Insider" shall mean the Shareholders, any director or officer of the Company, and any Affiliate, Associate or Relative of any of the foregoing persons.

"Intellectual Property" means: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof; (b) all trademarks, service marks, trade dress, logos, trade names, and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated

therewith, and all applications, registrations, and renewals in connection therewith; (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith; (d) all mask works and all applications, registrations, and renewals in connection therewith; (e) all trade secrets and confidential business information; (f) all computer software (including data and related documentation); (g) all other proprietary rights; and (h) all copies and tangible embodiments thereof (in whatever form or medium).

"IRS" shall mean the Internal Revenue Service.

"Judgment" has the meaning set forth in Section 2.9 hereof.

"Leased Real Property" has the meaning set forth in Section 2.10(c) hereof.

"Legal Requirements" means laws, ordinances, codes, rules, regulations, standards, judgments and other requirements of all governmental, administrative or judicial entities.

"Licenses" shall mean all franchises and any amendments thereto, new or renewal franchise applications, authorizations ordinances, permits, licenses, certificates, variances, exemptions, sublicenses, consents, orders, approvals (including approvals of tariffs and rate schedules), applications and agreements and similar documents from Governmental Authorities .

"Liens" shall mean any mortgages, pledges, title defects or objections, liens, claims, security interests, conditions and installment sale agreements, encumbrances or charges of any kind.

"Material Adverse Effect" shall mean any change or effect that is materially adverse to the business, results of operations or financial condition of the Company and its Subsidiaries, taken as a whole, or Parent and its Subsidiaries, taken as a whole, as applicable, other than any change or effect resulting from general economic or industry conditions or the announcement or pendency of this Agreement or the transactions contemplated hereby.

"Multiemployer Plan" has the meaning set forth in ERISA §3(37).

"Non-Compete Agreements" shall mean has the meaning set forth in Section 6.9.

"Owned Real Property" has the meaning set forth in Section 2.10(b) hereof.

"Party" has the meaning set forth in the preface above.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permits" means franchises, licenses, permits, registrations, certificates, consents, approvals or authorizations.

"Permitted Liens" means: (a) Liens reserved against in the Company's 1999 Balance Sheet, to the extent so reserved; (b) Liens for Taxes not yet due and payable or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the Company's books in accordance with GAAP; (c) Liens arising as a matter of law in the ordinary course of business, provided the obligations secured by such Liens are not delinquent or are being contested in good faith or (d) Liens that, individually and in the aggregate, do not and would not materially detract from the value of any of the property or Assets of the Company or materially interfere with the use thereof as currently used or contemplated to be used.

"Person" shall mean and include any individual, corporation, limited liability company, partnership, joint venture, association, trust, any other incorporated or unincorporated organization or entity and any Governmental Authority or any department or agency thereto.

"Prohibited Transaction" has the meaning set forth in ERISA §406 and Code §4975.

"Relative" of a Person shall mean such Person's spouse, parents, sisters, brothers, children and the spouses of the foregoing, and any member of the immediate household of such Person.

"Reportable Event" has the meaning set forth in ERISA §4043.

"Parent" has the meaning set forth in the preface above.

"Parent Common Stock" has the meaning set forth in Section 1.2(e) hereof.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Subsidiary" means any Person with respect to which a specified Person (or a Subsidiary) owns a majority of the common stock or other voting ownership interests sufficient to elect a majority of the directors or other governing body. "Subsidiaries" shall mean more than one Subsidiary.

"Transaction Documents" means the Escrow Agreement, the Release Agreements, the Confidentiality and Non-Disclosure Agreements, the Restricted Stock Agreements, the Line of Credit, the Additional Line of Credit, the Amended and Restated Pledge and Collateral Assignment dated on or about August 25, 2000 by and between Smock and Parent, the related Unconditional and Irrevocable Guaranty executed by Smock in favor of Parent, the Security Agreement dated on or about August 25, 2000, by and between Parent and Company, the Management Agreement and any other document executed or to be executed in connection with the consummation of the transactions described herein.

"Tax" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including property taxes paid by the Company pursuant to any lease), personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Unaudited Financial Statements" has the meaning set forth in Section 2.5 hereof.

[Signature lines appear on the next page]

IN WITNESS WHEREOF, the Parties hereto have caused this Purchase and Sale Agreement to be duly executed as of the day and year first above written.

M. Esten Kirby, Jr.
 Witness
 Print Name: M. Esten Kirby, Jr.
Joe Phillips
 Witness
 Print Name: JOE PHILLIPS

John Matters
 Witness
 Print Name: John Matters
Danyelle L Kennedy
 Witness
 Print Name: Danyelle L Kennedy

M. Esten Kirby, Jr.
 Witness
 Print Name: M. ESTON KIRBY, JR.
Joe Phillips
 Witness
 Print Name: JOE PHILLIPS

LIGHTNETWORKS, INC.

By: Jeffrey D. Smock
 Name: Jeffrey D. Smock
 Title: President & CEO

Attest: Donna L. Macy
 Name: Donna L. Macy
 Title: Director, HR + Admin.

NT CORPORATION

By: Ray D. Russenberger
 Name: RAY D. Russeoberger
 Title: President

Attest: _____
 Name: _____
 Title: _____

Jeffrey D. Smock
 JEFFREY D. SMOCK

EXHIBIT B

Network Telephone Corporation
Balance Sheets
UNAUDITED

	<u>8/31/00</u>	<u>7/31/00</u>	<u>Difference</u>	<u>% Change</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 38,848,402	\$ 15,920,245	\$ 22,928,157	144.0%
Accounts receivable, net of allowance of \$325,361 and \$310,361, respectively	2,236,883	2,046,424	190,459	9.3%
Preferred stock subscription - receivable	104,311,995	-	104,311,995	
Prepaid expenses and other current assets	2,556,226	1,108,757	1,447,469	130.5%
Total current assets	<u>147,953,506</u>	<u>19,075,426</u>	<u>128,878,080</u>	675.6%
Property and equipment:				
Switching equipment	10,102,689	10,102,689	-	0.0%
Office and data processing	10,746,134	8,404,760	2,341,374	27.9%
Construction-in-progress	50,412,264	42,671,565	7,740,699	18.1%
	<u>71,261,087</u>	<u>61,179,014</u>	<u>10,082,073</u>	16.5%
Accumulated depreciation	(1,529,538)	(1,250,286)	(279,252)	22.3%
	<u>69,731,549</u>	<u>59,928,728</u>	<u>9,802,821</u>	16.4%
Intangible assets, net	1,207,505	1,230,102	(22,597)	-1.8%
Total assets	<u>\$ 218,892,560</u>	<u>\$ 80,234,256</u>	<u>\$138,658,304</u>	172.8%
Liabilities and shareholder's equity				
Current liabilities:				
Accounts payable and accrued expenses	14,872,435	19,296,651	(4,424,216)	-22.9%
Advanced billings	810,216	653,724	156,492	23.9%
Total current liabilities	<u>15,682,651</u>	<u>19,950,375</u>	<u>(4,267,724)</u>	-21.4%
Long-term payables for purchases of construction in progress	17,206,734	13,974,244	3,232,490	23.1%
Long-term debt	17,466,048	17,293,684	172,364	1.0%
Total liabilities	<u>50,355,433</u>	<u>51,218,303</u>	<u>(862,870)</u>	-1.7%
Redeemable preferred stock:				
Convertible Preferred Stock, \$.01 par value,				
Authorized shares - 48,212,179; Issued and outstanding shares - 25,838,310	192,627,135	48,791,735	143,835,400	294.8%
Preferred stock subscribed - 17,825,000 shares	178,250	-	178,250	n/a
Shareholder's equity:				
Common stock, par value \$.01:				
Authorized shares - 60,000,000; Issued and outstanding shares - 8,000,000	80,000	80,000	-	0.0%
Additional paid-in capital	1,921,000	1,921,000	-	0.0%
Retained earnings (deficit)	(26,269,258)	(21,776,782)	(4,492,476)	20.6%
Total shareholder's equity	<u>168,537,127</u>	<u>29,015,953</u>	<u>139,521,174</u>	480.8%
Total liabilities and shareholder's equity	<u>\$ 218,892,560</u>	<u>\$ 80,234,256</u>	<u>\$138,658,304</u>	172.8%

Network Telephone Corporation
Statements of Operations
UNAUDITED

	For the month ended:			Change as a % of Revenue
	8/31/00	7/31/00	Difference	
Revenue:				
Resale	\$ 904,120	\$ 939,475	\$ (35,355)	-3.8%
Facilities	15,121	8,778	6,343	72.3%
Total Revenue	919,241	948,253	(29,012)	-3.1%
Operating expenses:				
Line costs				
Resale	878,636	889,405	(10,769)	-1.2%
Facilities	1,068,052	766,545	301,507	32.8%
Total line costs	1,946,688	1,655,950	290,738	31.6%
Selling, general & administrative expenses				
Sales salaries, commissions and bonus expense	751,865	451,119	300,746	32.7%
Advertising	8,679	17,723	(9,044)	-1.0%
Miscellaneous sales and marketing expenses	22,796	18,970	3,826	0.4%
Operations salaries	400,580	232,636	167,944	18.3%
General & administrative salaries and bonus	599,486	507,416	92,070	10.0%
Payroll administrative fees and taxes	169,246	112,403	56,843	6.2%
Travel and entertainment	86,748	44,240	42,508	4.6%
Contract labor	42,662	33,995	8,667	0.9%
Professional fees	64,139	40,816	23,323	2.5%
Recruiting	3,848	13,802	(9,954)	-1.1%
Rent	56,614	64,026	(7,412)	-0.8%
Repairs and maintenance	50,110	45,743	4,367	0.5%
Bad debt	15,000	15,000	-	0.0%
Other	210,859	168,982	41,877	4.6%
Total operating expenses	4,429,320	3,422,821	1,006,499	109.5%
Operating income (loss)	(3,510,079)	(2,474,568)	1,035,511	112.6%
Other income (expense):				
Interest income (expense), net	(284,138)	(271,746)	12,392	1.3%
Depreciation and amortization	(280,224)	(261,033)	19,191	2.1%
Total other expenses	(564,362)	(532,779)	31,583	3.4%
Net loss	<u><u>\$ (4,074,441)</u></u>	<u><u>\$ (3,007,347)</u></u>	<u><u>\$ 1,067,094</u></u>	116.1%

EXHIBIT C

[Sample Customer Notice]

NOTICE

Network Telephone Corporation and LightNetworks, Inc. are pleased to announce that they have entered into an Asset Purchase Agreement. Network Telephone Corporation will be providing you with information regarding its services and rates and should you choose, you may switch your service to Network Telephone Corporation at no charge. Network Telephone Corporation will operate and service you in the same professional and quality manner. You have a choice of carriers. If you do not wish to become a customer of Network Telephone Corporation, you may change to a different carrier, and such change will be at the present carrier's expense. If you have any questions, please contact Network Telephone Corporation customer service at _____.